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

FORM 10-Q

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

For the quarterly period ended September 30, 2018

or

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

For the transition period from __________ to __________.

Commission File Number: 001-36733

AXALTA COATING SYSTEMS LTD.
(Exact name of registrant as specified in its charter)

Bermuda	2851	98-1073028
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

Two Commerce Square
2001 Market Street
Suite 3600
Philadelphia, Pennsylvania 19103
(855) 547-1461

(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	**New York Stock Exchange**
(title of class)	(Exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: **None**

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 ý 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 ý No ¨

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

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

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

As of October 19, 2018, there were 238,715,154 shares of the registrant's common shares outstanding.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

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

	Three Months Ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net sales	$ 1,139.3	$ 1,091.8	$ 3,511.6	$ 3,188.1
Other revenue	6.7	4.5	18.6	16.5
Total revenue	1,146.0	1,096.3	3,530.2	3,204.6
Cost of goods sold	759.1	702.5	2,328.9	2,033.9
Selling, general and administrative expenses	293.4	246.5	745.8	717.1
Venezuela deconsolidation charge	—	—	—	70.9
Research and development expenses	17.0	16.6	54.3	48.6
Amortization of acquired intangibles	28.7	26.8	86.9	72.3
Income from operations	47.8	103.9	314.3	261.8
Interest expense, net	39.8	37.7	118.5	109.1
Other expense, net	5.5	7.8	11.4	27.9
Income before income taxes	2.5	58.4	184.4	124.8
Provision for income taxes	14.1	2.1	47.9	21.5
Net income (loss)	(11.6)	56.3	136.5	103.3
Less: Net income attributable to noncontrolling interests	1.5	1.4	4.8	5.1
Net income (loss) attributable to controlling interests	$ (13.1)	$ 54.9	$ 131.7	$ 98.2
Basic net income (loss) per share	$ (0.05)	$ 0.23	$ 0.55	$ 0.41
Diluted net income (loss) per share	$ (0.05)	$ 0.22	$ 0.54	$ 0.40
Basic weighted average shares outstanding	238.7	240.7	239.9	240.5
Diluted weighted average shares outstanding	238.7	245.8	244.2	246.2

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

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

	Three Months Ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net income (loss)	$ (11.6)	$ 56.3	$ 136.5	$ 103.3
Other comprehensive income (loss), before tax:				
Foreign currency translation adjustments	(17.6)	21.5	(86.9)	89.3
Unrealized gain (loss) on securities	—	0.2	—	(0.1)
Unrealized gain (loss) on derivatives	3.6	0.2	16.2	(1.1)
Unrealized gain (loss) on pension plan obligations	0.6	(0.3)	(0.7)	9.0
Other comprehensive income (loss), before tax	(13.4)	21.6	(71.4)	97.1
Income tax provision (benefit) related to items of other comprehensive income (loss)	0.6	(0.6)	2.3	2.0
Other comprehensive income (loss), net of tax	(14.0)	22.2	(73.7)	95.1
Comprehensive income (loss)	(25.6)	78.5	62.8	198.4
Less: Comprehensive income attributable to noncontrolling interests	0.3	1.4	1.7	6.1
Comprehensive income (loss) attributable to controlling interests	$ (25.9)	$ 77.1	$ 61.1	$ 192.3

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

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

	September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 588.1	$ 769.8
Restricted cash	2.8	3.1
Accounts and notes receivable, net	958.2	870.2
Inventories	618.6	608.6
Prepaid expenses and other	128.5	63.9
Total current assets	2,296.2	2,315.6
Property, plant and equipment, net	1,325.0	1,388.6
Goodwill	1,248.0	1,271.2
Identifiable intangibles, net	1,388.1	1,428.2
Other assets	503.5	428.6
Total assets	$ 6,760.8	$ 6,832.2
Liabilities, Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 533.5	$ 554.9
Current portion of borrowings	42.5	37.7
Other accrued liabilities	455.3	489.6
Total current liabilities	1,031.3	1,082.2
Long-term borrowings	3,852.0	3,877.9
Accrued pensions	271.0	279.1
Deferred income taxes	149.3	152.9
Other liabilities	111.1	32.3
Total liabilities	5,414.7	5,424.4
Commitments and contingencies (Note 7)		
Shareholders' equity		
Common shares, $1.00 par, 1,000.0 shares authorized, 246.7 and 243.9 shares issued at September 30, 2018 and December 31, 2017, respectively	245.1	242.4
Capital in excess of par	1,399.4	1,354.5
Retained earnings (Accumulated deficit)	123.2	(21.4)
Treasury shares, at cost 7.1 and 2.0 shares at September 30, 2018 and December 31, 2017, respectively	(211.9)	(58.4)
Accumulated other comprehensive loss	(312.4)	(241.0)
Total Axalta shareholders' equity	1,243.4	1,276.1
Noncontrolling interests	102.7	131.7
Total shareholders' equity	1,346.1	1,407.8
Total liabilities and shareholders' equity	$ 6,760.8	$ 6,832.2

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

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

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Operating activities:		
Net income	$ 136.5	$ 103.3
Adjustment to reconcile net income to cash used for operating activities:		
Depreciation and amortization	274.9	255.9
Amortization of deferred financing costs and original issue discount	5.8	6.1
Debt extinguishment and refinancing related costs	8.4	13.0
Deferred income taxes	(1.8)	(21.7)
Realized and unrealized foreign exchange (gains) losses, net	16.2	(1.4)
Stock-based compensation	27.5	30.5
Asset impairments	—	7.6
Loss on deconsolidation of Venezuela	—	70.9
Net interest income on swaps designated as net investment hedges	(5.9)	—
Other non-cash, net	(3.9)	6.9
Changes in operating assets and liabilities:		
Trade accounts and notes receivable	(119.5)	(44.5)
Inventories	(51.8)	(37.6)
Prepaid expenses and other	(127.9)	(79.9)
Accounts payable	45.4	34.2
Other accrued liabilities	(33.6)	(27.8)
Other liabilities	75.2	(9.1)
Cash provided by operating activities	245.5	306.4
Investing activities:		
Acquisitions	(79.2)	(559.3)
Investment in non-controlling interest	(26.9)	—
Purchase of property, plant and equipment	(109.5)	(87.2)
Reduction of cash due to Venezuela deconsolidation	—	(4.3)
Purchase of intangibles	—	(0.5)
Net interest proceeds on swaps designated as net investment hedges	5.9	—
Other investing activities	5.2	4.6
Cash used for investing activities	(204.5)	(646.7)
Financing activities:		
Proceeds from long-term borrowings	468.9	456.4
Payments on short-term borrowings	(33.8)	(7.0)
Payments on long-term borrowings	(505.1)	(12.4)
Financing-related costs	(4.9)	(9.9)
Dividends paid to noncontrolling interests	(1.0)	(2.7)
Purchase of treasury stock	(147.8)	(58.4)
Proceeds from option exercises	17.2	19.9
Deferred acquisition-related consideration	(6.0)	(5.2)
Cash (used for) provided by financing activities	(212.5)	380.7
Decrease in cash	(171.5)	40.4
Effect of exchange rate changes on cash	(10.5)	13.5
Cash at beginning of period	772.9	538.1
Cash at end of period	$ 590.9	$ 592.0
Cash at end of period reconciliation:		
Cash and cash equivalents	$ 588.1	$ 588.9
Restricted cash	2.8	3.1
Cash at end of period	$ 590.9	$ 592.0

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

(1) BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements included herein are unaudited. 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 Coating Systems Ltd., a Bermuda exempted company limited by shares, and its consolidated subsidiaries ("Axalta," the "Company," "we," "our" and "us") at September 30, 2018 and December 31, 2017, the results of operations and comprehensive income (loss) for the three and nine months ended September 30, 2018 and 2017, and its cash flows for the nine months then ended. All intercompany balances and transactions have been eliminated. These interim unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

The interim unaudited condensed consolidated financial statements include the accounts of Axalta and its subsidiaries, and entities in which a controlling interest is maintained. Certain of our joint ventures are accounted for on a one-month lag basis, the effect of which is not material.

The results of operations for the three and nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for a full year.

Accounting Standards - Reclassifications

During the nine months ended September 30, 2018, we adopted various accounting standards that had impacts to the accompanying condensed consolidated financial statements, one of which resulted in reclassifications to amounts previously reported for the three and nine months ended September 30, 2017. Refer to Note 2 for further information.

(2) RECENT ACCOUNTING GUIDANCE

Recently Adopted Accounting Guidance

In August 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2017-12, "Derivatives and Hedging," which modifies the presentation and disclosure of hedging results and provides partial relief on the timing of certain aspects of hedge documentation including the elimination of the requirement to recognize hedge ineffectiveness separately in earnings. We elected to early adopt this standard on January 1, 2018 using the modified retrospective approach. We recorded a cumulative adjustment for previously recognized ineffectiveness to retained earnings at January 1, 2018. This did not result in a material impact to our financial statements.

In March 2017, the FASB issued ASU 2017-07, "Compensation—Retirement Benefits," which requires that an employer report the service cost component of net periodic pension costs in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. It also requires the other components of net periodic pension costs to be presented in the statement of operations separately from the service cost component and outside a subtotal of income from operations. On January 1, 2018 we retrospectively adopted this standard, which resulted in a reclassification on the condensed consolidated statements of operations of a benefit of $0.1 million and a loss of $0.4 million for the three and nine months ended September 30, 2017, respectively, from income from operations to other expense, net.

On January 1, 2018, we adopted ASU 2017-01, "Clarifying the Definition of a Business," which sets forth the accounting guidance that assists in the determination of whether a set of transferred assets and activities is a business. This new guidance requires an entity to first evaluate whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this threshold is met, the set of transferred assets and activities is not a business; whereas, if the threshold is not met, the entity evaluates whether the set meets the requirement that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The standard also narrows the definition of outputs by more closely aligning it with how outputs are described in the new revenue guidance.

(In millions, unless otherwise noted)

On January 1, 2018, we adopted ASU 2016-01, "Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities," which requires equity investments in unconsolidated entities, excluding those accounted for using the equity method of accounting, to be remeasured at exit price fair value, with changes recorded in the statement of operations. This standard was adopted using the modified retrospective application resulting in a cumulative adjustment to retained earnings at January 1, 2018. This did not result in a material impact to our financial statements.

On January 1, 2018, we adopted ASU 2014-09, "Revenue from Contracts with Customers," and all related amendments comprising ASC 606 (the "new revenue standard"), electing to use the modified retrospective method. We also elected to apply certain practical expedients, including the application of the modified retrospective method to open contracts at December 31, 2017. Comparative information has not been recasted and continues to be reported under historical U.S. GAAP in effect to those applicable periods. The following table summarizes the cumulative effect made to our condensed consolidated balance sheet as a result of the adoption to this standard.

	December 31, 2017	Adjustments due to ASU 2014-09	January 1, 2018
Assets			
Inventories	$ 608.6	$ (22.7)	$ 585.9
Prepaid expenses and other (1)	63.9	41.7	105.6
Other assets (2)	428.6	(1.9)	426.7
Liabilities			
Other accrued liabilities (3)	$ 489.6	$ 1.9	$ 491.5
Deferred income taxes	152.9	3.0	155.9
Equity			
Accumulated deficit	$ (21.4)	$ 12.1	$ (9.3)
Noncontrolling interests	131.7	0.1	131.8

(1) Includes the impact to contract assets resulting from the modified retrospective adoption of the new revenue standard.
(2) Includes the impacts to deferred income taxes resulting from the modified retrospective adoption of the new revenue standard.
(3) Includes the impacts of estimated variable consideration on certain arrangements in our refinish end-market.

The impacts to the balance sheet as of the adoption date represent the acceleration of revenue for certain arrangements, primarily within our light vehicle end-market, for which we determined our performance obligation has been satisfied, as discussed further in Note 3. Specifically, we concluded that the transfer of control to the customer, as defined under the new revenue standard, occurs at a date prior to consumption. Additionally, certain costs historically reported in selling, general and administrative expenses under historical U.S. GAAP related to technical support services that are not considered material in the context of our contracts with certain customers are now reported within cost of goods sold on the condensed consolidated statements of operations, as they represent costs incurred in satisfaction of performance obligations. See Note 3 for further discussion.

Accounting Guidance Issued But Not Yet Adopted

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment," which eliminates the second step in the goodwill impairment test requiring an entity to determine the implied fair value of the reporting unit's goodwill. Instead, an entity should recognize an impairment loss if the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, with the impairment loss not to exceed the amount of goodwill allocated to the reporting unit. The standard is effective for annual and interim goodwill impairment tests conducted in fiscal years beginning after December 15, 2019, with early adoption permitted. This standard is not expected to have a material impact on our financial statements unless an impairment indicator is identified in our reporting units.

In February 2016, the FASB issued 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 recognize, 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. Early adoption is permitted prior to this date. 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 its effective date or the beginning of the earliest comparative period presented in the financial statements as its date of initial application. We will adopt the new standard on January 1, 2019 and use the effective date as our date of initial application. As a result, historical financial information will not be updated and the disclosures required under the new standard will not be provided as of and for periods before January 1, 2019.

The new standard provides a number of optional practical expedients in transition. We expect to elect 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 do not expect to elect the use-of-hindsight or the practical expedient pertaining to land easements; the latter not being applicable to us. The new standard also provides practical expedients for an entity’s ongoing accounting. We currently expect to elect the short-term lease recognition exemption for all leases that qualify, meaning we will not recognize ROU assets or lease liabilities, and this includes not recognizing ROU assets or lease liabilities for existing short-term leases (leases with a term of less than 12 months from lease commencement) of those assets in transition. We also currently expect to elect the practical expedient to not separate lease and non-lease components for certain leases, including our leases of vehicles and equipment.

The Company is in process of implementing an outsourced software solution to support the ongoing accounting requirements that this standard will have on our consolidated financial statements. We are in process of reviewing our lease arrangements, as well as working through implementation steps and assessing our procedural and policy requirements and impacts to our internal controls. At a minimum, in the period the ASU is adopted, in addition to the expanded disclosures regarding leases, total assets and total liabilities will increase as a result of the recognized new ROU assets and lease liabilities for our equipment, vehicle and real estate operating leases, and our leases accounted for as sale-leaseback financing transactions will be derecognized and accounted for as a lease upon adoption.

(3) 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 Plan assets ("BIPs"), which is 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 September 30, 2018 and December 31, 2017, the total carrying value of BIPs were $194.6 million and $173.0 million, respectively, and are presented within other assets on the condensed consolidated balance sheets. For the three and nine months ended September 30, 2018, $16.8 million and $49.9 million, respectively, were amortized and reflected as reductions of net sales in the condensed consolidated statements of operations, while $16.0 million and $49.0 million were amortized during the three and nine months ended September 30, 2017, respectively.

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 on the balance sheet. The contract asset balances at September 30, 2018 and January 1, 2018 were $46.3 million and $41.7 million, respectively.

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 (discussed in Note 2), 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.

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

The following tables summarizes the impact to our condensed consolidated statements of operations and balance sheets in accordance with the new revenue standard:

	For the three months ended September 30, 2018		
	As reported	Prior to ASU 2014-09	Increases / (Decreases)
Net sales	$ 1,139.3	$ 1,137.6	$ 1.7
Cost of goods sold	759.1	741.1	18.0
Selling, general and administrative expenses	293.4	310.3	(16.9)
Provision for income taxes	14.1	14.0	0.1
Net income (loss)	(11.6)	(12.1)	0.5
Less: Net income attributable to noncontrolling interests	1.5	1.6	(0.1)
Net income (loss) attributable to controlling interests	$ (13.1)	$ (13.7)	$ 0.6

	For the nine months ended September 30, 2018		
	As reported	Prior to ASU 2014-09	Increases / (Decreases)
Net sales	$ 3,511.6	$ 3,505.7	$ 5.9
Cost of goods sold	2,328.9	2,280.3	48.6
Selling, general and administrative expenses	745.8	791.1	(45.3)
Provision for income taxes	47.9	47.4	0.5
Net income	136.5	134.4	2.1
Less: Net income attributable to noncontrolling interests	4.8	4.7	0.1
Net income attributable to controlling interests	$ 131.7	$ 129.7	$ 2.0

	At September 30, 2018		
	As reported	Prior to ASU 2014-09	Increases / (Decreases)
Assets			
Inventories	$ 618.6	$ 643.9	$ (25.3)
Prepaid expenses and other	128.5	82.2	46.3
Other assets	503.5	505.8	(2.3)
Liabilities			
Other accrued liabilities	$ 455.3	$ 453.6	$ 1.7
Deferred income taxes	149.3	146.2	3.1
Equity			
Retained earnings	$ 123.2	$ 109.1	$ 14.1
Accumulated other comprehensive loss	(312.4)	(312.0)	(0.4)
Noncontrolling interests	102.7	102.5	0.2

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 original equipment manufacturers ("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 19 for net sales by end-market.

(4) ACQUISITIONS

Acquisition of The Valspar Corporation's North American Industrial Wood Coatings Business

On June 1, 2017, the Company completed its acquisition from The Valspar Corporation ("Valspar") of certain assets constituting its North American Industrial Wood Coatings business (the "Industrial Wood" business), for a purchase price of $420.0 million, subject to working capital adjustments. No material adjustments were recorded during the nine months ended September 30, 2018, as we finalized our purchase accounting during the respective measurement period, one year following the closing date. After all required adjustments, the Company paid an aggregate purchase price of $430.3 million, which was comprised of the following:

	June 1, 2017 (As Initially Reported)	Measurement Period Adjustments	June 1, 2017 (As Adjusted)
Accounts and notes receivable—trade	$ 23.3	$ —	$ 23.3
Inventories	24.9	(0.2)	24.7
Prepaid expenses and other	0.2	—	0.2
Property, plant and equipment	23.0	0.1	23.1
Identifiable intangibles	254.2	4.9	259.1
Accounts payable	(22.4)	0.2	(22.2)
Other accrued liabilities	(5.1)	0.4	(4.7)
Net assets acquired before goodwill on acquisition	298.1	5.4	303.5
Goodwill on acquisition	132.6	(5.8)	126.8
Net assets acquired	$ 430.7	$ (0.4)	$ 430.3

Supplemental Pro Forma Information

The following supplemental pro forma information represents the results of operations as if the Company had acquired the Industrial Wood business on January 1, 2016:

(in millions, except per share data)	For the nine months ended September 30, 2017
Net sales	$ 3,289.4
Net income	108.8
Net income attributable to controlling interests	103.7
Net income per share (Basic)	0.43
Net income per share (Diluted)	0.42

The 2017 supplemental pro forma net income was adjusted to exclude $5.3 million ($3.3 million, net of pro forma income tax impact) of acquisition-related costs incurred in 2017 and $2.3 million ($1.4 million, net of pro forma income tax impact) of non-recurring expense related to the fair market value adjustment to acquisition date inventory. The unaudited pro forma consolidated information does not necessarily reflect the actual results that would have occurred had the acquisition taken place on January 1, 2016, nor is it meant to be indicative of future results of operations of the combined businesses under the ownership and operation of the Company.

Other Acquisitions

During the nine months ended September 30, 2018, we successfully completed four strategic acquisitions, including two based in Asia Pacific and two based in North America, all of which operate within our Performance Coatings segment ("2018 Acquisitions"). Our 2018 aggregate spending for these acquisitions for the three and nine months ended September 30, 2018 was $1.0 million and $76.4 million, respectively. The overall impacts to our condensed consolidated financial statements were not considered to be material, either individually or in the aggregate. The fair value associated with identifiable intangible assets from the 2018 Acquisitions was $61.6 million, comprised primarily of technology and customer relationship assets, which will be amortized over a weighted average term of approximately 9 years.

(In millions, unless otherwise noted)

At September 30, 2018, for the 2018 Acquisitions treated as business combinations and any business combination completed after September 30, 2017, we have not finalized the related purchase accounting and the amounts recorded represent preliminary values. We expect to finalize our purchase accounting during the respective measurement periods which will be no later than one year following the closing dates.

In addition, during the nine months ended September 30, 2018, pursuant to the stock purchase agreement for a joint venture acquired during the year ended December 31, 2016, we were required to purchase an additional 24.5% interest for $26.9 million, increasing our total ownership percentage to 75.5%.

(5) GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

Goodwill

The following table shows changes in the carrying amount of goodwill from December 31, 2017 to September 30, 2018 by reportable segment:

	Performance Coatings	Transportation Coatings	Total
December 31, 2017	$ 1,189.2	$ 82.0	$ 1,271.2
Purchase accounting adjustments	(0.2)	—	(0.2)
Foreign currency translation	(21.5)	(1.5)	(23.0)
September 30, 2018	$ 1,167.5	$ 80.5	$ 1,248.0

Identifiable Intangible Assets

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

September 30, 2018	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted average amortization periods (years)
Technology	$ 552.4	$ (250.9)	$ 301.5	10.4
Trademarks - indefinite-lived	273.5	—	273.5	Indefinite
Trademarks - definite-lived	102.1	(22.6)	79.5	15.8
Customer relationships	934.8	(212.4)	722.4	19.1
Other	17.2	(6.0)	11.2	4.8
Total	$ 1,880.0	$ (491.9)	$ 1,388.1	

December 31, 2017	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted average amortization periods (years)
Technology	$ 498.0	$ (213.6)	$ 284.4	10.5
Trademarks—indefinite-lived	277.2	—	277.2	Indefinite
Trademarks—definite-lived	102.6	(17.7)	84.9	15.9
Customer relationships	945.1	(176.8)	768.3	19.0
Other	16.6	(3.2)	13.4	4.8
Total	$ 1,839.5	$ (411.3)	$ 1,428.2	

(In millions, unless otherwise noted)

The estimated amortization expense related to the fair value of acquired intangible assets for the remainder of 2018 and each of the succeeding five years is:

Remainder of 2018	$ 28.8
2019	115.3
2020	115.1
2021	114.4
2022	112.2
2023	72.0

(6) RESTRUCTURING

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

We have incurred costs in connection with involuntary termination benefits associated with our productivity initiatives, including our transition to a standalone entity and cost-saving opportunities associated with our Fit For Growth and Axalta Way initiatives. During the three and nine months ended September 30, 2018, we recorded restructuring costs, net of changes to estimates that resulted in benefits, of $81.4 million and $79.9 million, respectively. During the three and nine months ended September 30, 2017, we incurred restructuring costs of $6.2 million and $7.6 million, respectively. These amounts are recorded within selling, general and administrative expenses in the condensed consolidated statements of operations. The payments associated with these actions are expected to be substantially completed within 12 to 24 months from the balance sheet date.

The following table summarizes the activities related to the restructuring reserves and expenses from December 31, 2017 to September 30, 2018:

	2018 Activity
Balance at December 31, 2017	$ 71.5
Expenses, net of changes to estimates	79.9
Payments made	(41.2)
Foreign currency translation	0.3
Balance at September 30, 2018	$ 110.5

Restructuring charges incurred during 2018 and 2017 included actions to reduce operational costs through activities to rationalize our manufacturing footprint, including the impacts from the anticipated closure of our Mechelen, Belgium manufacturing facility announced during the three months ended September 30, 2018. Severance costs specifically associated with the anticipated closure amounted to $70.6 million for the three and nine months ended September 30, 2018. Manufacturing assets were also assessed, including assessment of assets totaling $55.8 million (€47.7 million) at our Mechelen, Belgium manufacturing facility, and as a result, useful lives of the assets were truncated. The impacts to earnings from accelerated depreciation resulting from our manufacturing footprint assessments for the three and nine months ended September 30, 2018 and the three and nine months ended September 30, 2017, were $4.2 million, $4.2 million, zero and $4.3 million, respectively, and were recorded to cost of goods sold. During the three and nine months ended September 30, 2017, we also recorded impairment losses of $4.4 million and $7.6 million, respectively, associated with these manufacturing facilities based on market price estimates recorded within other expense, net.

(In millions, unless otherwise noted)

(7) COMMITMENTS AND CONTINGENCIES

Sale-Leaseback Obligations

We have three lease arrangements that are treated as sale-leaseback financing transactions. The lessors' building costs are depreciated over an estimated useful life beginning at the commencement of the rental terms, at which point such lease assets recorded in property, plant and equipment had a corresponding offset within long-term borrowings. The table below reflects the total remaining cash payments related to all transactions during the rental term at September 30, 2018:

	Sale-leaseback obligations
Remainder of 2018	$ 1.3
2019	5.3
2020	5.4
2021	5.4
2022	5.7
Thereafter	82.5
Total minimum payments	$ 105.6

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 September 30, 2018 and December 31, 2017, we had outstanding bank guarantees of $13.8 million and $15.2 million, respectively, which expire between 2018 and 2022. We monitor the obligations to evaluate whether we have a liability at the balance sheet date, for which none existed at September 30, 2018 and December 31, 2017.

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 unaudited condensed consolidated financial statements of Axalta. The potential effects, if any, on such condensed consolidated financial statements will be recorded in the period in which these matters are probable and estimable.

(8) LONG-TERM EMPLOYEE BENEFITS

Components of Net Periodic Benefit Cost

The following table sets forth the components of net periodic benefit cost for the three and nine months ended September 30, 2018 and 2017:

	Three Months Ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Components of net periodic benefit cost:				
Net periodic benefit cost:				
Service cost	$ 2.2	$ 2.2	$ 6.7	$ 6.4
Interest cost	3.2	3.3	10.0	10.0
Expected return on plan assets	(3.9)	(3.7)	(12.2)	(10.7)
Amortization of actuarial loss, net	0.3	0.3	0.9	1.1
Amortization of prior service credit, net	—	—	(0.1)	—
Net periodic benefit cost	$ 1.8	$ 2.1	$ 5.3	$ 6.8

(9) STOCK-BASED COMPENSATION

During the three and nine months ended September 30, 2018, we recognized $9.4 million and $27.5 million, respectively, in stock-based compensation expense which was allocated between costs of goods sold and selling, general and administrative expenses on the condensed consolidated statements of operations. We recognized a tax benefit of $1.8 million and $5.2 million for the three and nine months ended September 30, 2018, respectively. Forfeitures are recorded in the period they occur.

During the three and nine months ended September 30, 2017, we recognized $9.2 million and $30.5 million, respectively, in stock-based compensation expense which was allocated to cost of goods sold and selling, general and administrative expenses on the condensed consolidated statements of operations. We recognized a tax benefit of $2.8 million and $9.1 million for the three and nine months ended September 30, 2017, respectively.

2018 Activity

In February 2018, we granted non-qualified service-based stock options, restricted stock awards, restricted stock units, performance stock awards and performance share units to certain employees and directors. All awards were granted under the Company's 2014 Incentive Award Plan (the "2014 Plan"). A summary of award activity by type for the nine months ended September 30, 2018 is presented below.

Stock Options	Awards/Units (in millions)	Weighted-Average Exercise Price	Aggregate Intrinsic Value (in millions)	Weighted Average Remaining Contractual Life (years)
Outstanding at January 1, 2018	8.1	$ 16.54		
Granted	1.1	29.75		
Exercised	(1.6)	10.54		
Forfeited	(0.2)	29.62		
Outstanding at September 30, 2018	7.4	$ 19.50		
Vested and expected to vest at September 30, 2018	7.4	$ 19.50	$ 75.1	6.36
Exercisable at September 30, 2018	5.5	$ 16.39	$ 73.4	5.54

Cash received by the Company upon exercise of options for the nine months ended September 30, 2018 was $17.2 million. Tax benefits on these exercises were $6.3 million.

(In millions, unless otherwise noted)

At September 30, 2018, there is $7.2 million of unrecognized expense relating to unvested stock options that is expected to be amortized over a weighted average period of 1.7 years.

Restricted Stock Awards and Restricted Stock Units	Awards (millions)	Weighted-Average Fair Value
Outstanding at January 1, 2018	1.9	$ 29.32
Granted	1.0	30.12
Vested	(1.1)	30.16
Forfeited	(0.1)	29.24
Outstanding at September 30, 2018	1.7	$ 29.26

Tax benefits on the vesting of restricted stock during the nine months ended September 30, 2018 were $0.2 million.

At September 30, 2018, there is $28.0 million of unamortized expense relating to unvested restricted stock and restricted stock units that is expected to be amortized over a weighted average period of 1.6 years.

Performance Stock Awards and Performance Share Units	Awards (millions)	Weighted-Average Fair Value
Outstanding at January 1, 2018	0.6	$ 31.17
Granted	0.3	33.77
Vested	—	—
Forfeited	—	—
Outstanding at September 30, 2018	0.9	$ 31.97

At September 30, 2018, there is $13.5 million of unamortized expense relating to unvested performance stock awards and performance share units that is expected to be amortized over a weighted average period of 1.9 years.

(10) OTHER EXPENSE, NET

	Three Months Ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Foreign exchange losses, net	$ 7.0	$ 3.5	$ 8.7	$ 8.3
Impairments of property	—	4.4	—	7.6
Debt extinguishment and refinancing related costs	—	0.6	8.4	13.0
Other miscellaneous income, net	(1.5)	(0.7)	(5.7)	(1.0)
Total	$ 5.5	$ 7.8	$ 11.4	$ 27.9

Debt extinguishment and refinancing related costs include third-party fees incurred in conjunction with the refinancing of the Dollar Term Loans during 2017 and 2018, as well as the loss on extinguishment associated with the write-off of unamortized deferred financing costs and original issue discounts associated with the 2023 Euro Term Loans for the nine months ended September 30, 2018, as discussed further in Note 16.

(11) INCOME TAXES

Our effective income tax rates for the nine months ended September 30, 2018 and 2017 are as follows:

	Nine months ended September 30,	
	2018	2017
Effective Tax Rate	26.0%	17.2%

The higher effective tax rate for the nine months ended September 30, 2018 was primarily due to the unfavorable impact associated with the financial impacts surrounding the anticipated closure of our Belgium manufacturing facility and a decrease in excess tax benefits related to stock-based compensation of $6.5 million compared with $11.6 million for the nine months ended September 30, 2018 and 2017, respectively.

On December 22, 2017, the U.S. Tax Cuts and Jobs Act ("U.S. TCJA") was enacted into law and as a result we recorded a provisional tax charge at December 31, 2017 of $107.8 million. As of September 30, 2018, we have reviewed additional guidance released by the Department of the Treasury and reduced the tax charge by $12.4 million related to the realizability of certain interest carryforwards. Our net provisional tax charge recorded to date is based on our present understanding of the U.S. TCJA and may be further adjusted as additional guidance is released. The benefit related to the reduction to the U.S. TCJA provisional tax charge was largely offset by the impact of tax discrete items for the nine months ended September 30, 2018 related to other tax initiatives.

The effective tax rate for the nine months ended September 30, 2018 differs from the U.S. Federal statutory rate due to various items that impacted the effective rate both favorably and unfavorably. We recorded the unfavorable impact of pre-tax losses attributable to jurisdictions where a tax benefit is not expected to be realized, unrecognized tax benefits, non-deductible expenses and interest and the unfavorable impact associated with the financial impacts surrounding the anticipated closure of our Belgium manufacturing facility. These adjustments were offset by the favorable adjustments for earnings in jurisdictions where the statutory rate is lower than the U.S. Federal statutory rate, currency exchange losses, revisions to the provisional charge related to the U.S. TCJA discussed above and current year excess tax benefits related to stock-based compensation.

(12) NET INCOME (LOSS) 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except per share data)	**2018**	**2017**	**2018**	**2017**
Net income (loss) to common shareholders	$ (13.1)	$ 54.9	$ 131.7	$ 98.2
Basic weighted average shares outstanding	238.7	240.7	239.9	240.5
Diluted weighted average shares outstanding	238.7	245.8	244.2	246.2
Net income (loss) per common share:				
Basic net income (loss) per share	$ (0.05)	$ 0.23	$ 0.55	$ 0.41
Diluted net income (loss) per share	$ (0.05)	$ 0.22	$ 0.54	$ 0.40

The number of anti-dilutive shares that have been excluded in the computation of diluted net income (loss) per share for the three and nine months ended September 30, 2018 were 8.8 million and 2.6 million, respectively. The number of anti-dilutive shares that have been excluded in the computation of diluted net income (loss) per share for the three and nine months ended September 30, 2017 were 1.9 million and 1.8 million, respectively.

(13) ACCOUNTS AND NOTES RECEIVABLE, NET

	September 30, 2018	December 31, 2017
Accounts receivable - trade, net	$ 834.3	$ 748.2
Notes receivable	29.1	29.4
Other	94.8	92.6
Total	$ 958.2	$ 870.2

Accounts and notes receivable are carried at amounts that approximate fair value. Accounts receivable - trade, net are net of allowances of $15.7 million and $15.9 million at September 30, 2018 and December 31, 2017, respectively. Bad debt expense, within selling, general and administration expenses for the three and nine months ended September 30, 2018, was $0.6 million and $1.5 million, respectively, and $0.9 million and $3.3 million for the three and nine months ended September 30, 2017, respectively.

(In millions, unless otherwise noted)

(14) INVENTORIES

	September 30, 2018	December 31, 2017
Finished products	$ 331.8	$ 347.5
Semi-finished products	109.5	95.5
Raw materials and supplies	177.3	165.6
Total	$ 618.6	$ 608.6

Stores and supplies inventories of $21.5 million and $20.8 million at September 30, 2018 and December 31, 2017, respectively, were valued under the weighted average cost method.

(15) PROPERTY, PLANT AND EQUIPMENT, NET

Depreciation expense amounted to $45.5 million and $134.7 million for the three and nine months ended September 30, 2018, respectively, and $43.3 million and $131.3 million for the three and nine months ended September 30, 2017, respectively.

	September 30, 2018	December 31, 2017
Property, plant and equipment	$ 2,226.4	$ 2,193.6
Accumulated depreciation	(901.4)	(805.0)
Property, plant, and equipment, net	$ 1,325.0	$ 1,388.6

(16) BORROWINGS

Borrowings are summarized as follows:

	September 30, 2018	December 31, 2017
2024 Dollar Term Loans	$ 2,417.9	$ 1,960.0
2023 Euro Term Loans	—	472.5
2024 Dollar Senior Notes	500.0	500.0
2024 Euro Senior Notes	392.3	399.7
2025 Euro Senior Notes	526.8	536.9
Short-term and other borrowings	102.8	94.8
Unamortized original issue discount	(13.2)	(9.1)
Unamortized deferred financing costs	(32.1)	(39.2)
	$ 3,894.5	$ 3,915.6
Less:		
Short-term borrowings	$ 18.2	$ 12.9
Current portion of long-term borrowings	24.3	24.8
Long-term debt	$ 3,852.0	$ 3,877.9

Senior Secured Credit Facilities, as amended

On December 15, 2016, Axalta Coating Systems Dutch 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 (as defined below). 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 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.

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 99.750% 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."

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

Prior to the Fifth Amendment, interest on the 2023 Dollar Term Loans was subject to a floor of 0.75%, plus an applicable rate. The applicable rate for such 2023 Dollar Term Loans was 2.50% per annum for Eurocurrency Rate Loans as defined in the Credit Agreement and 1.50% per annum for Base Rate Loans as defined in the Credit Agreement. The 2023 Euro Term Loans were also subject to a floor of 0.75%, plus an applicable rate of 2.25% per annum for Eurocurrency Rate Loans. The 2023 Euro Term Loans may not be Base Rate Loans.

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 Axalta Coating Systems Dutch A B.V. ("Dutch A B.V.") and the 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 September 30, 2018, the Company is in compliance with all covenants under the Senior Secured Credit Facilities.

Revolving Credit Facility

On August 1, 2016 (the "Third Amendment Effective Date"), 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 by (i) extending the maturity of the Revolving Credit Facility to five years from the Third Amendment Effective Date, or August 1, 2021, provided that such date will be accelerated to the date that is 91 days prior to the maturity of the term loans borrowed under the Credit Agreement if the maturity of such term loans precedes the maturity of the Revolving Credit Facility, (ii) decreasing the applicable interest margins, and (iii) 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. At September 30, 2018, the financial covenant is not applicable as there were no borrowings.

(In millions, unless otherwise noted)

Under the Third Amendment, interest on any outstanding borrowings under the Revolving Credit Facility is subject to a floor of zero for Adjusted Eurocurrency Rate Loans (as defined in the Credit Agreement) 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 is 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 falls below 3.00:1.00 and 2.50:1.00, respectively.

Under circumstances described in the Credit Agreement, we may increase available revolving or term facility borrowings by up to $400.0 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 September 30, 2018 and December 31, 2017, letters of credit issued under the Revolving Credit Facility totaled $43.8 million and $35.5 million, respectively, which reduced the availability under the Revolving Credit Facility. Availability under the Revolving Credit Facility was $356.2 million and $364.5 million at September 30, 2018 and December 31, 2017, respectively.

Significant Transactions

During the year ended December 31, 2017, we voluntarily prepaid $30.0 million in principal of the outstanding 2024 Dollar Term Loans, resulting in a loss of $0.4 million.

Significant Terms of the Senior Notes

On August 16, 2016, Axalta Coating Systems, LLC (the "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”).

The 2024 Senior Notes are fully and unconditionally guaranteed by Dutch B B.V. (“Parent Guarantor”).

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.

(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 15 and August 15. 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 15 of the years indicated:

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

(In millions, unless otherwise noted)

Notwithstanding the foregoing, at any time and from time to time prior to August 15, 2019, we may at our option redeem in the aggregate up to 40% of the original aggregate principal amount of the 2024 Dollar Senior Notes with the net cash proceeds of one or more Equity Offerings (as defined in the indenture governing the 2024 Dollar Senior Notes) at a redemption price of 104.875% 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.

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, will initially be jointly and severally guaranteed on a senior unsecured basis by each of the Parent Guarantor's 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.

(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 15 and August 15. 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 15 of the years indicated:

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

Notwithstanding the foregoing, at any time and from time to time prior to August 15, 2019, we may at our option redeem in the aggregate up to 40% of the original aggregate principal amount of the 2024 Euro Senior Notes with the net cash proceeds of one or more Equity Offerings (as defined in the indenture governing the 2024 Euro Senior Notes) at a redemption price of 104.250% 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.

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, will initially be jointly and severally guaranteed on a senior unsecured basis by each of the Parent Guarantor's 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.

(In millions, unless otherwise noted)

(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 15 and July 15. 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 15 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.

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, will initially be jointly and severally guaranteed on a senior unsecured basis by each of the Dutch Issuer's 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 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 September 30, 2018.

Remainder of 2018	$	18.5
2019		32.0
2020		25.1
2021		25.2
2022		52.0
Thereafter		3,768.6
	$	3,921.4

The table above excludes $18.4 million of debt associated with our sale-leaseback financings that will not be settled with cash.

(17) FAIR VALUE ACCOUNTING

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 expense, net. The fair values of available for sale securities are based upon Level 1 inputs when the securities are actively traded with quoted market prices.

Long-term borrowings - The estimated fair values of these notes 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 considered to be Level 2 inputs.

Fair value of contingent consideration

The fair value of contingent consideration associated with acquisitions completed in current and prior years are valued at each balance sheet date, until amounts become payable, with adjustments recorded within selling, general and administrative expenses on the condensed consolidated statement of operations. During the three and nine months ended September 30, 2017 the Company recorded gains of $0.7 million and $4.6 million associated with the changes to fair value, respectively. Adjustments made to fair value were immaterial for the three and nine months ended September 30, 2018. The Company paid the remaining $8.9 million contingent consideration in the nine months ended September 30, 2018. Due to the significant unobservable inputs used in the valuations, these liabilities are categorized within Level 3 of the fair value hierarchy.

Notes to Condensed Consolidated Financial Statements (Unaudited)
(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 September 30, 2018 and December 31, 2017.

	September 30, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Prepaid expenses and other:								
Interest rate caps (1)	$ —	$ 4.7	$ —	$ 4.7	$ —	$ —	$ —	$ —
Cross-currency swaps (2)	—	12.1	—	12.1	—	—	—	—
Foreign currency forward contracts (3)	—	0.1	—	0.1	—	—	—	—
Other assets:								
Interest rate caps (1)	—	5.9	—	5.9	—	1.2	—	1.2
Interest rate swaps (1)	—	5.9	—	5.9	—	—	—	—
Cross-currency swaps (2)	—	0.4	—	0.4	—	—	—	—
Investment in equity securities	0.7	—	—	0.7	4.3	—	—	4.3
Liabilities:								
Other accrued liabilities:								
Interest rate caps (1)	—	—	—	—	—	2.6	—	2.6
Foreign currency forward contracts (3)	—	—	—	—	—	0.7	—	0.7
Contingent consideration	—	—	—	—	—	—	8.9	8.9
Long-term borrowings:								
2024 Dollar Senior Notes	—	501.9	—	501.9	—	524.4	—	524.4
2024 Euro Senior Notes	—	409.9	—	409.9	—	427.7	—	427.7
2025 Euro Senior Notes	—	540.7	—	540.7	—	571.8	—	571.8
2024 Dollar Term Loans	—	2,369.5	—	2,369.5	—	1,967.4	—	1,967.4
2023 Euro Term Loans	—	—	—	—	—	475.5	—	475.5

(1) Cash flow hedge
(2) Net investment hedge
(3) Derivatives not designated as hedging instruments

(18) 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. See Note 17 for the location and fair values of derivative instruments included in our condensed consolidated balance sheets.

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, expire 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.

(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 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. 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.

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.

The following table presents the location and fair values using Level 2 inputs of derivative instruments that qualify and have been designated as cash flow and net investment hedges included in accumulated other comprehensive (loss) income:

	September 30, 2018	December 31, 2017
Accumulated other comprehensive (loss) income (AOCI):		
Interest rate caps (cash flow hedges)	(8.1)	2.0
Interest rate swaps (cash flow hedges)	(5.9)	—
Cross-currency swaps (net investment hedges)	(12.5)	—
Total accumulated other comprehensive (loss) income	$ (26.5)	$ 2.0

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 Condensed Consolidated Financial Statements (Unaudited)
(In millions, unless otherwise noted)

The following tables set forth the locations and amounts recognized during the three and nine months ended September 30, 2018 and 2017 for these cash flow and net investment hedges.

		For the Three Months Ended September 30,			
		2018		2017	
Derivatives in Cash Flow and Net Investment Hedges	Location of (Gain) Loss Recognized in Income on Derivatives	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	$ (1.1)	$ (0.7)	$ —	$ (0.1)
Interest rate swaps	Interest expense, net	(2.5)	0.5	—	—
Cross-currency swaps	Interest expense, net	5.5	(3.2)	—	—

		For the Nine Months Ended September 30,			
		2018		2017	
Derivatives in Cash Flow and Net Investment Hedges	Location of (Gain) Loss Recognized in Income on Derivatives	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	$ (11.5)	$ (1.4)	$ 3.7	$ 2.6
Interest rate swaps	Interest expense, net	(5.0)	0.9	—	—
Cross-currency swaps	Interest expense, net	(18.4)	(5.9)	—	—

Over the next 12 months, we expect gains of $2.0 million pertaining to cash flow hedges to be reclassified from accumulated other comprehensive income 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 expense, net in the condensed 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 is 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. The fair value of this interest rate cap at September 30, 2018 was zero.

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	Three Months Ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
Interest rate caps	Interest expense, net	$ —	$ 0.2	$ —	$ 0.6
Foreign currency forward contracts	Other expense, net	(3.0)	2.5	(7.6)	9.7

(In millions, unless otherwise noted)

(19) 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 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.

Our business serves four end-markets globally as follows:

	Three Months Ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Performance Coatings				
Refinish	$ 440.7	$ 395.3	$ 1,300.4	$ 1,205.1
Industrial	314.3	298.2	967.8	737.7
Total Net sales Performance Coatings	755.0	693.5	2,268.2	1,942.8
Transportation Coatings				
Light Vehicle	299.2	309.7	978.1	984.0
Commercial Vehicle	85.1	88.6	265.3	261.3
Total Net sales Transportation Coatings	384.3	398.3	1,243.4	1,245.3
Total Net sales	$ 1,139.3	$ 1,091.8	$ 3,511.6	$ 3,188.1

Notes to Condensed Consolidated Financial Statements (Unaudited)
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Asset information is not reviewed or included with our internal management reporting. Therefore, the Company has not disclosed asset information for each reportable segment.

	Three Months Ended September 30,					
	2018			2017		
	Performance Coatings	Transportation Coatings	Total	Performance Coatings	Transportation Coatings	Total
Net sales (1)	$ 755.0	$ 384.3	$ 1,139.3	$ 693.5	$ 398.3	$ 1,091.8
Equity in earnings in unconsolidated affiliates	0.2	—	0.2	—	0.1	0.1
Adjusted EBITDA (2)	176.4	58.3	234.7	135.1	74.4	209.5
Investment in unconsolidated affiliates	3.4	13.3	16.7	3.1	12.3	15.4

	Nine months ended September 30,					
	2018			2017		
	Performance Coatings	Transportation Coatings	Total	Performance Coatings	Transportation Coatings	Total
Net sales (1)	$ 2,268.2	$ 1,243.4	$ 3,511.6	$ 1,942.8	$ 1,245.3	$ 3,188.1
Equity in earnings in unconsolidated affiliates	0.3	0.3	0.6	0.2	0.3	0.5
Adjusted EBITDA (2)	496.1	206.2	702.3	398.8	241.0	639.8
Investment in unconsolidated affiliates	3.4	13.3	16.7	3.1	12.3	15.4

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

(2) The primary measure of segment operating performance is Adjusted EBITDA, which is defined as net income before interest, taxes, depreciation and amortization 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 EBITDA 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 EBITDA adjusted for the select items referred to above. Reconciliation of Adjusted EBITDA to income before income taxes follows:

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

	Three Months Ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Income before income taxes	$ 2.5	$ 58.4	$ 184.4	$ 124.8
Interest expense, net	39.8	37.7	118.5	109.1
Depreciation and amortization	92.8	88.6	274.9	255.9
EBITDA	135.1	184.7	577.8	489.8
Debt extinguishment and refinancing related costs (a)	—	0.6	8.4	13.0
Foreign exchange remeasurement losses (b)	7.0	3.5	8.7	8.3
Long-term employee benefit plan adjustments (c)	(0.4)	(0.1)	(1.4)	0.4
Termination benefits and other employee related costs (d)	82.4	5.8	80.2	6.6
Transition-related costs (e)	—	1.9	(0.2)	5.8
Offering and transactional costs (f)	0.8	0.5	1.1	6.1
Stock-based compensation (g)	9.4	9.2	27.5	30.5
Other adjustments (h)	0.4	0.8	1.2	3.5
Dividends in respect of noncontrolling interest (i)	—	(1.8)	(1.0)	(2.7)
Deconsolidation and site closure related impacts (j)	—	4.4	—	78.5
Adjusted EBITDA	$ 234.7	$ 209.5	$ 702.3	$ 639.8

(a) During the nine months ended September 30, 2018 and September 30, 2017, we refinanced our term loans, which resulted in losses of $8.4 million and $13.0 million, respectively, including changes to estimates of $0.6 million for the three months ended September 30, 2017. We do not consider these to be indicative of our ongoing operating performance.

(b) Eliminates foreign exchange losses resulting from the remeasurement of assets and liabilities denominated in foreign currencies, net of the impacts of our foreign currency instruments used to hedge our balance sheet exposures.

(c) Eliminates the non-cash, non-service cost components of long-term employee benefit costs.

(d) Represents expenses and associated changes to estimates related to employee termination benefits and other employee-related costs, which includes Axalta CEO recruitment fees. Employee termination benefits are associated with Axalta Way initiatives. These amounts are not considered indicative of our ongoing operating performance.

(e) Represents 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. These amounts are not considered indicative of our ongoing operating performance.

(f) Represents acquisition-related expenses, including changes in the fair value of contingent consideration, which are not considered indicative of our ongoing operating performance.

(g) Represents non-cash costs associated with stock-based compensation.

(h) Represents certain non-operational or non-cash gains and losses unrelated to our core business and which we do not consider indicative of ongoing operations, including indemnity losses associated with the acquisition by Axalta of the DuPont Performance Coatings business, gains and losses from the sale and disposal of property, plant and equipment, gains and losses from the remaining foreign currency derivative instruments and from non-cash fair value inventory adjustments associated with our business combinations.

(i) Represents the payment of dividends to our joint venture partners by our consolidated entities that are not 100% owned, which are reflected to show the cash operating performance of these entities on Axalta's financial statements.

(j) During the nine months ended September 30, 2017, we recorded a loss in conjunction with the deconsolidation of our Venezuelan subsidiary and a non-cash impairment charge related to a real estate investment of $70.9 million. During the three and nine months ended September 30, 2017, we recorded non-cash impairment charges related to certain manufacturing facilities previously announced for closure of $4.4 million and $7.6 million, respectively. We do not consider these to be indicative of our ongoing operating performance.

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(20) SHAREHOLDERS' EQUITY

The following tables present the change in total shareholders’ equity for the nine months ended September 30, 2018 and 2017, respectively.

	Total Axalta	Noncontrolling Interests	Total
Balance at December 31, 2017	$ 1,276.1	$ 131.7	$ 1,407.8
Cumulative effect of an accounting change	12.1	0.1	12.2
Balance at January 1, 2018	$ 1,288.2	$ 131.8	$ 1,420.0
Net income	131.7	4.8	136.5
Other comprehensive loss, net of tax	(70.6)	(3.1)	(73.7)
Recognition of stock-based compensation	27.5	—	27.5
Exercise of stock options	17.2	—	17.2
Treasury share repurchases	(153.5)	—	(153.5)
Non-controlling interests of acquired subsidiaries	2.9	(29.8)	(26.9)
Dividends paid to noncontrolling interests	—	(1.0)	(1.0)
Balance at September 30, 2018	$ 1,243.4	$ 102.7	$ 1,346.1

	Total Axalta	Noncontrolling Interests	Total
Balance at December 31, 2016	$ 1,125.1	$ 121.5	$ 1,246.6
Net income	98.2	5.1	103.3
Other comprehensive income, net of tax	94.1	1.0	95.1
Recognition of stock-based compensation	30.5	—	30.5
Exercise of stock options	19.9	—	19.9
Treasury share repurchases	(58.4)	—	(58.4)
Dividends paid to noncontrolling interests	—	(2.7)	(2.7)
Balance at September 30, 2017	$ 1,309.4	$ 124.9	$ 1,434.3

(21) ACCUMULATED OTHER COMPREHENSIVE LOSS

	Unrealized Currency Translation Adjustments	Pension Adjustments	Unrealized Gain (Loss) on Securities	Unrealized Gain (Losses) on Derivatives	Accumulated Other Comprehensive Income (Loss)
Balance at 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	(83.8)	(1.5)	—	14.4	(70.9)
Reclassifications from AOCI to Net income (loss)	—	0.7	—	(0.4)	0.3
Net Change	(83.8)	(0.8)	—	14.0	(70.6)
Balance at September 30, 2018	$ (292.6)	$ (32.2)	$ —	$ 12.4	$ (312.4)

(In millions, unless otherwise noted)

The income tax provision related to the changes in pension benefits for the nine months ended September 30, 2018 was $0.1 million. The cumulative income tax benefit related to the adjustments for pension benefits at September 30, 2018 was $12.9 million. The income tax provision related to the change in the unrealized loss on derivatives for the nine months ended September 30, 2018 was $2.2 million. The cumulative income tax provision related to the adjustments for unrealized loss on derivatives at September 30, 2018 was $1.6 million.

	Unrealized Currency Translation Adjustments	Pension Adjustments	Unrealized Gain (Loss) on Securities	Unrealized Gain (Loss) on Derivatives	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2016	$ (292.2)	$ (56.6)	$ 0.4	$ (2.0)	$ (350.4)
Current year deferrals to AOCI	88.3	(0.3)	(0.1)	1.7	89.6
Reclassifications from AOCI to Net income	—	6.2	—	(1.7)	4.5
Net Change	88.3	5.9	(0.1)	—	94.1
Balance at September 30, 2017	$ (203.9)	$ (50.7)	$ 0.3	$ (2.0)	$ (256.3)

Included in the reclassification from AOCI to net income (loss) 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 income tax expense related to the changes in pension benefits for the nine months ended September 30, 2017 was $3.1 million. The cumulative income tax benefit related to the adjustments for pension benefits at September 30, 2017 was $16.0 million. The income tax benefit related to the change in the unrealized loss on derivatives for the nine months ended September 30, 2017 was $1.1 million. The cumulative income tax benefit related to the adjustments for unrealized loss on derivatives at September 30, 2017 was $2.2 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 three months ended June 30, 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 condensed consolidated statement of operations during the nine months ended September 30, 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 zero at June 30, 2017. 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 the deconsolidation, for the three and nine months ended September 30, 2017, our Venezuelan subsidiary's net sales represented zero and $2.5 million of our consolidated net sales, respectively.

ITEM 2. 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 the interim unaudited condensed consolidated financial statements and the condensed notes thereto included elsewhere in this Quarterly Report on Form 10-Q, as well as the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

FORWARD-LOOKING STATEMENTS

Many statements made in the following discussion and analysis of our financial condition and results of operations and elsewhere in this Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q, 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;
- increased competition;
- weather conditions or severe storms that may temporarily reduce the demand for some of our products;
- reduced demand for some of our products as a result of improved safety features on vehicles and insurance company influence;
- risks of the loss or change in purchasing levels of any of our significant customers or the consolidation of multi-shop operators (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 interruptions in our supply of raw materials;
- failure to develop and market new products and manage product life cycles;
- business disruptions, security threats and security breaches, including cyber 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 and natural disasters that may materially adversely affect our business, financial condition and results of operations;
- 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;
- our 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;
- the risk of impairment charges related to goodwill, identifiable intangible assets and fixed assets;
- 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;
- risks and uncertainties associated with a transition in Axalta's leadership;
- any statements of belief and any statements of assumptions underlying any of the foregoing;
- other factors disclosed in this Quarterly Report on Form 10-Q, our Annual Report on Form 10-K for the year ended December 31, 2017 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 Quarterly Report on Form 10-Q. 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 50 manufacturing facilities, four technology centers, 47 customer training centers and approximately 14,000 employees 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 increased 10.1% for the nine months ended September 30, 2018 compared with the nine months ended September 30, 2017, driven by volume growth of 6.3% primarily within our Performance Coatings segment. Acquisitions positively impacted and contributed to 4.7% of the volume increase. Increases in average selling prices across both end-markets within the Performance Coatings segment were slightly offset by pricing concessions within the Transportation Coatings segment and contributed to a net increase of 1.9%. Favorable currency translation contributed to a further increase of net sales of 1.9% due primarily to the impacts of the strengthening Euro and Chinese Renminbi compared with the U.S. Dollar. The following trends have impacted our segment and end-market sales performance:

- *Performance Coatings:* Net sales increased 16.7% driven primarily by stronger volumes in our industrial end-market, including the impacts of acquisitions combined with organic volume growth in all regions except for Latin America, as well as increases in average selling prices across both end-markets.

- *Transportation Coatings:* Net sales decreased 0.2% driven primarily by lower selling prices in both our light vehicle and commercial vehicle end-markets, substantially offset by favorable foreign currency translation and higher volumes across both end-markets and all regions except for Europe.

Our business serves four end-markets globally with net sales for the three and nine months ended September 30, 2018 and 2017, as follows:

(In millions)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	2018 vs 2017 % change	Nine months ended September 30, 2018	Nine months ended September 30, 2017	2018 vs 2017 % change
Performance Coatings						
Refinish	$ 440.7	$ 395.3	11.5 %	$ 1,300.4	$ 1,205.1	7.9 %
Industrial	314.3	298.2	5.4 %	967.8	737.7	31.2 %
Total Net sales Performance Coatings	755.0	693.5	8.9 %	2,268.2	1,942.8	16.7 %
Transportation Coatings						
Light Vehicle	299.2	309.7	(3.4)%	978.1	984.0	(0.6)%
Commercial Vehicle	85.1	88.6	(4.0)%	265.3	261.3	1.5 %
Total Net sales Transportation Coatings	384.3	398.3	(3.5)%	1,243.4	1,245.3	(0.2)%
Total Net sales	$ 1,139.3	$ 1,091.8	4.4 %	$ 3,511.6	$ 3,188.1	10.1 %

Acquisitions Highlights

During the nine months ended September 30, 2018, we successfully completed four strategic acquisitions, including two in Asia Pacific and two in North America, all of which benefited our Performance Coatings segment. Our 2018 aggregate spending for these acquisitions was $76.4 million.

In addition, pursuant to the stock purchase agreement for a consolidated joint venture acquisition during the year ended December 31, 2016, during the nine months ended September 30, 2018, we were required to purchase an additional 24.5% interest for $26.9 million, increasing our total ownership percentage to 75.5%.

Belgium Manufacturing Facility Closure

During the nine months ended September 30, 2018, we approved a restructuring plan involving the closure of our manufacturing facility at our Mechelen, Belgium site and transfer of production capabilities to other Axalta facilities. Severance costs incurred in conjunction with these actions were $70.6 million for the three and nine months ended September 30, 2018. Manufacturing assets totaling $55.8 million (€47.7 million) were also assessed given expected closures and as a result, useful lives of the assets were truncated, resulting in impacts to earnings from accelerated depreciation for the three and nine months ended September 30, 2018 of $4.2 million.

Capital and Liquidity Highlights

During the nine months ended September 30, 2018, we completed the Sixth Amendment of our Senior Secured Credit Facilities, which repriced the 2024 Dollar Term Loans and increased the aggregate principal balance by $475.0 million to $2,430.0 million. Proceeds from the Sixth Amendment, along with cash on the balance sheet, were used to extinguish the existing 2023 Euro Term Loans. Concurrent with the refinancing, we executed interest rate and cross-currency swaps to convert $475.0 million of the 2024 Dollar Term Loans principal into Euro fixed-rate debt at an interest rate of 1.95%, which matures in 2023. The combined effect of the refinancing and the swaps are expected to result in annual cash interest savings of approximately $10.0 million.

During the nine months ended September 30, 2018, we repurchased 5.1 million shares for total consideration of $153.5 million as we continue to execute against our share repurchase program.

FACTORS AFFECTING OUR OPERATING RESULTS

There have been no changes in the factors affecting our operating results previously reported in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2017.

NON-GAAP FINANCIAL MEASURES

Reconciliation of Net Income to EBITDA and Adjusted EBITDA

To supplement our financial information presented in accordance with U.S. GAAP, we use the following non-GAAP financial measures to clarify and enhance an understanding of past performance: EBITDA and Adjusted EBITDA. We believe that the presentation of these financial measures enhances an investor’s understanding of our financial performance. We further believe that these financial measures are useful financial metrics to assess our operating performance from period-to-period by excluding certain items that we believe are not representative of our core business. We define our core business as those operations relating to the Company's ongoing performance and the concept is used to make resource allocation and performance evaluation decisions. We use certain of these financial measures for business planning purposes and in measuring our performance relative to that of our competitors. We also utilize Adjusted EBITDA as the primary measure of segment performance.

EBITDA consists of net income before interest, taxes, depreciation and amortization. Adjusted EBITDA consists of EBITDA adjusted for (i) non-cash items included within net income, (ii) items the Company does not believe are indicative of ongoing operating performance or (iii) nonrecurring, 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. We believe that making such adjustments provides investors meaningful information to understand our operating results and ability to analyze financial and business trends on a period-to-period basis.

We believe these financial measures are commonly used by investors to evaluate our performance and that of our competitors. However, our use of the terms EBITDA and Adjusted EBITDA may vary from that of others in our industry. These financial measures should not be considered as alternatives to income before income taxes, net income, earnings per share or any other performance measures derived in accordance with U.S. GAAP as measures of operating performance.

EBITDA and Adjusted EBITDA have important limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of our results as reported under U.S. GAAP. Some of these limitations are:

- EBITDA and Adjusted EBITDA:
  - do not reflect the significant interest expense on our debt, including the Senior Secured Credit Facilities and the Senior Notes; and
  - eliminate the impact of income taxes on our results of operations;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any expenditures for such replacements; and
- other companies in our industry may calculate EBITDA and Adjusted EBITDA differently than we do, limiting their usefulness as comparative measures.

We compensate for these limitations by using EBITDA and Adjusted EBITDA along with other comparative tools, together with U.S. GAAP measurements, to assist in the evaluation of operating performance. Such U.S. GAAP measurements include income before income taxes, net income, earnings per share and other performance measures.

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In evaluating these financial measures, you should be aware that in the future we may incur expenses similar to those eliminated in this presentation. Our presentation of EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by the excluded items noted above.

The following table reconciles net income (loss) to EBITDA and Adjusted EBITDA measures discussed above for the periods presented:

(In millions)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Net income (loss)	$ (11.6)	$ 56.3	$ 136.5	$ 103.3
Interest expense, net	39.8	37.7	118.5	109.1
Provision for income taxes	14.1	2.1	47.9	21.5
Depreciation and amortization	92.8	88.6	274.9	255.9
EBITDA	135.1	184.7	577.8	489.8
Debt extinguishment and refinancing related costs (a)	—	0.6	8.4	13.0
Foreign exchange remeasurement losses (b)	7.0	3.5	8.7	8.3
Long-term employee benefit plan adjustments (c)	(0.4)	(0.1)	(1.4)	0.4
Termination benefits and other employee related costs (d)	82.4	5.8	80.2	6.6
Transition-related costs (e)	—	1.9	(0.2)	5.8
Offering and transactional costs (f)	0.8	0.5	1.1	6.1
Stock-based compensation (g)	9.4	9.2	27.5	30.5
Other adjustments (h)	0.4	0.8	1.2	3.5
Dividends in respect of noncontrolling interest (i)	—	(1.8)	(1.0)	(2.7)
Deconsolidation and site closure related impacts (j)	—	4.4	—	78.5
Adjusted EBITDA	$ 234.7	$ 209.5	$ 702.3	$ 639.8

(a) During the nine months ended September 30, 2018 and September 30, 2017, we refinanced our term loans, which resulted in losses of $8.4 million and $13.0 million, respectively, including changes to estimates of $0.6 million for the three months ended September 30, 2017. We do not consider these to be indicative of our ongoing operating performance.

(b) Eliminates foreign exchange losses resulting from the remeasurement of assets and liabilities denominated in foreign currencies, net of the impacts of our foreign currency instruments used to hedge our balance sheet exposures.

(c) Eliminates the non-cash, non-service cost components of long-term employee benefit costs.

(d) Represents expenses and associated changes to estimates related to employee termination benefits and other employee-related costs, which includes Axalta CEO recruitment fees. Employee termination benefits are associated with Axalta Way initiatives. These amounts are not considered indicative of our ongoing operating performance.

(e) Represents 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. These amounts are not considered indicative of our ongoing operating performance.

(f) Represents acquisition-related expenses, including changes in the fair value of contingent consideration, which are not considered indicative of our ongoing operating performance.

(g) Represents non-cash costs associated with stock-based compensation.

(h) Represents certain non-operational or non-cash gains and losses unrelated to our core business and which we do not consider indicative of ongoing operations, including indemnity losses associated with the acquisition by Axalta of the DuPont Performance Coatings business, gains and losses from the sale and disposal of property, plant and equipment, gains and losses from the remaining foreign currency derivative instruments and from non-cash fair value inventory adjustments associated with our business combinations.

(i) Represents the payment of dividends to our joint venture partners by our consolidated entities that are not 100% owned, which are reflected to show the cash operating performance of these entities on Axalta's financial statements.

(j) During the nine months ended September 30, 2017, we recorded a loss in conjunction with the deconsolidation of our Venezuelan subsidiary and a non-cash impairment charge related to a real estate investment of $70.9 million. During the three and nine months ended September 30, 2017, we recorded non-cash impairment charges related to certain manufacturing facilities previously announced for closure of $4.4 million and $7.6 million, respectively. We do not consider these to be indicative of our ongoing operating performance.

RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the information contained in the accompanying unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q. Our historical results of operations set forth below may not necessarily reflect what will occur in the future.

Three months ended September 30, 2018 compared to the three months ended September 30, 2017

The following table was derived from the unaudited condensed consolidated statements of operations for the three months ended September 30, 2018 and 2017 included elsewhere in this Quarterly Report on Form 10-Q.

	Three Months Ended September 30,	
(In millions)	**2018**	**2017**
Net sales	$ 1,139.3	$ 1,091.8
Other revenue	6.7	4.5
Total revenue	1,146.0	1,096.3
Cost of goods sold	759.1	702.5
Selling, general and administrative expenses	293.4	246.5
Research and development expenses	17.0	16.6
Amortization of acquired intangibles	28.7	26.8
Income from operations	47.8	103.9
Interest expense, net	39.8	37.7
Other expense, net	5.5	7.8
Income before income taxes	2.5	58.4
Provision for income taxes	14.1	2.1
Net income (loss)	(11.6)	56.3
Less: Net income attributable to noncontrolling interests	1.5	1.4
Net income (loss) attributable to controlling interests	$ (13.1)	$ 54.9

Net sales

Net sales increased $47.5 million, or 4.4%, to $1,139.3 million for the three months ended September 30, 2018, compared to net sales of $1,091.8 million for the three months ended September 30, 2017. Our net sales increase for the three months ended September 30, 2018 was due primarily to increases in sales volumes of 4.0% across all regions. Recent acquisitions contributed 0.4% to the volume increase. Increases in average selling prices across both end-markets within the Performance Coatings segment were slightly offset by lower average selling prices within our light vehicle end-market and contributed to a net increase of 2.9%. Partially offsetting these increases were unfavorable impacts of currency translation, which reduced net sales by 2.5%, due primarily to the impacts of the weaker Euro and certain currencies within Latin America and Asia compared to the U.S. Dollar.

Other revenue

Other revenue increased $2.2 million, or 48.9%, to $6.7 million for the three months ended September 30, 2018, compared to other revenue of $4.5 million for the three months ended September 30, 2017, primarily driven by increases in service revenues, slightly offset by the impacts of the weakening Euro compared to the U.S. Dollar.

Cost of sales

Cost of sales increased $56.6 million, or 8.1%, to $759.1 million for the three months ended September 30, 2018, compared to $702.5 million for the three months ended September 30, 2017. The increase for the three months ended September 30, 2018 resulted primarily from higher volumes of 4.0% which includes the impacts from acquisitions. The increase was also driven by accelerated depreciation of $4.2 million resulting from the anticipated closure of our Mechelen, Belgium manufacturing facility. Partially offsetting the increase were favorable currency effects resulting from the impacts of the weakening Euro and certain currencies within Latin America and Asia compared to the U.S. Dollar, which contributed to a 1.9% decrease. Cost of sales as a percentage of net sales increased to 66.6% for the three months ended September 30, 2018 compared to 64.3% for the three months ended September 30, 2017, primarily related to the impacts of the new revenue standard, as discussed in Note 3 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. Excluding the impacts of the new revenue standard, cost of sales as a percentage of net sales increased to 65.1%, which is primarily driven by increases in raw material costs across both segments and operational costs, partially offset by increases in average selling prices.

Selling, general and administrative expenses

Selling, general and administrative expenses increased $46.9 million, or 19.0%, to $293.4 million for the three months ended September 30, 2018 compared to $246.5 million for the three months ended September 30, 2017. The increase was primarily driven by increases in costs associated with our cost saving initiatives and acquisition-related costs, which were $83.4 million for the three months ended September 30, 2018, including the $70.6 million severance costs resulting from the anticipated closure of our Mechelen, Belgium manufacturing facility, as compared to $8.5 million for the three months ended September 30, 2017, resulting in a $74.9 million increase over the comparable period.

Partially offsetting the increase were favorable currency effects resulting from the impacts of the weakening Euro and certain currencies within Latin America and Asia compared to the U.S. Dollar, which contributed to a 2.0% decrease, the adoption of the new revenue standard which resulted in a decrease of $16.9 million, or 6.9%, as discussed in Note 3 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, and a reduction in costs due to operational efficiencies associated with our cost saving initiatives.

Research and development expenses

Research and development expense increased $0.4 million, or 2.4%, to $17.0 million for the three months ended September 30, 2018 compared to $16.6 million for the three months ended September 30, 2017. This increase was primarily driven by overall increased spend, partially offset by the favorable impacts of currency exchange from the weakening Euro and certain currencies within Latin America and Asia against the U.S. Dollar of 5.2%.

Amortization of acquired intangibles

Amortization of acquired intangibles increased $1.9 million, or 7.1%, to $28.7 million for the three months ended September 30, 2018 compared to $26.8 million for the three months ended September 30, 2017. This increase was attributable to amortization of the definite-lived intangible assets acquired through our recent acquisitions, partially offset by the impacts of the weakening of the Euro compared to the U.S. Dollar.

Interest expense, net

Interest expense, net increased $2.1 million, or 5.6%, to $39.8 million for the three months ended September 30, 2018 compared to $37.7 million for the three months ended September 30, 2017. The increase was primarily driven by increases in LIBOR, partially offset by the impacts of our April 2018 refinancing and derivative instruments.

Other expense, net

Other expense, net decreased $2.3 million, or 29.5%, to $5.5 million for the three months ended September 30, 2018 compared to $7.8 million for the three months ended September 30, 2017. This decrease relates primarily to the absence of impairments of $4.4 million for certain manufacturing facilities previously announced for closure incurred during the three months ended September 30, 2017. Partially offsetting this decrease was an increase in exchange losses, net from $7.0 million during the three months ended September 30, 2018 as compared to $3.5 million for the three months ended September 30, 2017.

Provision for income taxes

We recorded an income tax provision of $14.1 million for the three months ended September 30, 2018, which represents a 564.0% effective tax rate in relation to income before income taxes of $2.5 million. The effective tax rate for the three months ended September 30, 2018 differs from the U.S. Federal statutory rate by 543.0%, which is the result of various items that impacted the effective rate both favorably and unfavorably. We recorded the unfavorable impact of pre-tax losses attributable to jurisdictions where a tax benefit is not expected to be realized of $3.6 million, non-deductible expenses and interest of $2.9 million, unrecognized tax benefits of $8.8 million, primarily associated with the financial impacts surrounding the anticipated closure of our Belgium manufacturing facility, and adjustments for earnings and losses in jurisdictions where the statutory rate is lower than the U.S. Federal rate, primarily in Bermuda, Germany, Luxembourg and Switzerland, which had a net unfavorable impact of $5.4 million. These adjustments were partially offset by current year excess tax benefits related to stock-based compensation of $2.4 million and benefit of $9.9 million associated with currency exchange losses.

We recorded an income tax provision of $2.1 million for the three months ended September 30, 2017, which represents a 3.6% effective tax rate in relation to losses before income taxes of $58.4 million. The effective tax rate for the three months ended September 30, 2017 differs from the U.S. Federal statutory rate by 31.4%, which is the result of various items that impacted the effective rate both favorably and unfavorably. We recorded adjustments for earnings in jurisdictions where the statutory rate is lower than the U.S. Federal rate, primarily in Bermuda, China, Germany, Luxembourg, Netherlands and Switzerland, which had a net favorable impact of $34.6 million, current year excess tax benefits related to stock-based compensation of $2.7. Our net favorable adjustments were partially offset by the impact of pre-tax losses attributable to jurisdictions where a tax benefit is not expected to be realized of $0.5 million, non-deductible expenses and interest of $3.1 million and $17.1 million associated with currency exchange losses.

Nine months ended September 30, 2018 compared to the nine months ended September 30, 2017

The following table was derived from the unaudited condensed consolidated statements of operations for the nine months ended September 30, 2018 and 2017 included elsewhere in this Quarterly Report on Form 10-Q.

	Nine months ended September 30,	
(In millions)	**2018**	**2017**
Net sales	$ 3,511.6	$ 3,188.1
Other revenue	18.6	16.5
Total revenue	3,530.2	3,204.6
Cost of goods sold	2,328.9	2,033.9
Selling, general and administrative expenses	745.8	717.1
Venezuela deconsolidation charge	—	70.9
Research and development expenses	54.3	48.6
Amortization of acquired intangibles	86.9	72.3
Income from operations	314.3	261.8
Interest expense, net	118.5	109.1
Other expense, net	11.4	27.9
Income before income taxes	184.4	124.8
Provision for income taxes	47.9	21.5
Net income	136.5	103.3
Less: Net income attributable to noncontrolling interests	4.8	5.1
Net income attributable to controlling interests	$ 131.7	$ 98.2

Net sales

Net sales increased $323.5 million, or 10.1%, to $3,511.6 million for the nine months ended September 30, 2018, compared to net sales of $3,188.1 million for the nine months ended September 30, 2017. Our net sales increase for the nine months ended September 30, 2018 was due to increases in sales volumes of 6.3% across all regions. Recent acquisitions contributed 4.7% to the volume increase. Increases in average selling prices across both end-markets within the Performance Coatings segment were slightly offset by lower average selling prices within our light vehicle end-market and contributed to a net increase of 1.9%. Favorable currency translation contributed to a further increase of net sales of 1.9% due primarily to the impacts of the strengthening Euro and Chinese Renminbi compared to the U.S. Dollar.

Other revenue

Other revenue increased $2.1 million, or 12.7%, to $18.6 million for the nine months ended September 30, 2018, compared to other revenue of $16.5 million for the nine months ended September 30, 2017, primarily driven by increases in service revenues and the impacts of the strengthening Euro compared to the U.S. Dollar.

Cost of sales

Cost of sales increased $295.0 million, or 14.5%, to $2,328.9 million for the nine months ended September 30, 2018 compared to $2,033.9 million for the nine months ended September 30, 2017. The increase for the nine months ended September 30, 2018 resulted primarily from higher volumes of 6.3%, which include the impacts from acquisitions, and unfavorable currency effects resulting from the impacts of the strengthening Euro and Chinese Renminbi compared to the U.S. Dollar, which contributed to a 1.9% increase. Cost of sales as a percentage of net sales increased to 66.3% for the nine months ended September 30, 2018 compared to 63.8% for the nine months ended September 30, 2017 primarily related to the impacts of the new revenue standard, as discussed in Note 3 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. Excluding the impacts of the new revenue standard, cost of sales as a percentage of net sales remained relatively consistent, increasing to 65.0%, which is primarily driven by increases in raw material and operational costs across both segments, partially offset by increases in average selling prices.

Selling, general and administrative expenses

Selling, general and administrative expenses increased $28.7 million, or 4.0%, to $745.8 million for the nine months ended September 30, 2018 compared to $717.1 million for the nine months ended September 30, 2017. The increase is primarily driven by increases in costs associated with our cost saving initiatives and acquisition-related costs, which were $81.1 million for the nine months ended September 30, 2018, including the $70.6 million severance costs resulting from the anticipated closure of our Mechelen, Belgium manufacturing facility, as compared to $22.6 million for the nine months ended September 30, 2017, resulting in a $58.5 million increase over the comparable period. Further contributing to the increase was the impact from acquisitions which contributed $7.5 million over the comparable period, and unfavorable currency effects resulting from the impacts of the strengthening Euro and Chinese Renminbi compared to the U.S. Dollar, which contributed to a 2.4% increase.

Partially offsetting the increase were reductions in costs due to operational efficiencies associated with our cost saving initiatives, as well as the benefit resulting from the adoption of the new revenue standard which resulted in a decrease of $45.3 million, or 6.3%, as discussed in Note 3 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Venezuela deconsolidation charge

During the nine months ended September 30, 2017 we recorded a loss of $70.9 million in conjunction with the deconsolidation of our Venezuelan subsidiary, for which there were no corresponding losses recorded during the nine months ended September 30, 2018.

Research and development expenses

Research and development expenses increased $5.7 million, or 11.7%, to $54.3 million for the nine months ended September 30, 2018 compared to $48.6 million for the nine months ended September 30, 2017. This increase was primarily driven by the impacts from acquisitions of $5.4 million and unfavorable impacts of currency exchange from the strengthening of the Euro and Chinese Renminbi against the U.S. Dollar of 3.8%.

Amortization of acquired intangibles

Amortization of acquired intangibles increased $14.6 million, or 20.2%, to $86.9 million for the nine months ended September 30, 2018 compared to $72.3 million for the nine months ended September 30, 2017. This increase was attributable to amortization of the definite-lived intangible assets from our recent acquisitions, combined with the impacts of the strengthening of the Euro against the U.S. Dollar.

Interest expense, net

Interest expense, net increased $9.4 million, or 8.6%, to $118.5 million for the nine months ended September 30, 2018 compared to $109.1 million for the nine months ended September 30, 2017. The increase was primarily driven by the strengthening of the Euro compared to the U.S. Dollar, the increase in average interest rates due to LIBOR increases over the comparable period and higher average principal balances resulting from the 2017 refinancings which were outstanding for only part of the nine months ended September 30, 2017 compared to the entire period for the nine months ended September 30, 2018. These increases were partially offset by the favorable impacts of our derivative instruments and our refinancings.

Other expense, net

Other expense, net decreased $16.5 million to $11.4 million for the nine months ended September 30, 2018 compared to $27.9 million for the nine months ended September 30, 2017. This decrease relates primarily to the absence of impairments of $7.6 million for certain manufacturing facilities previously announced for closure incurred during the nine months ended September 30, 2017, as well as a reduction in losses on debt extinguishment and refinancing related costs as $8.4 million was incurred during the nine months ended September 30, 2018 compared to $13.0 million incurred during the nine months ended September 30, 2017.

Provision for income taxes

We recorded an income tax provision of $47.9 million for the nine months ended September 30, 2018, which represents a 26.0% effective tax rate in relation to the income before income taxes of $184.4 million. The effective tax rate for the nine months ended September 30, 2018 differs from the U.S. Federal statutory rate by 5.0%, which is the result of various items that impacted the effective rate both favorably and unfavorably. We recorded the impact of pre-tax losses attributable to jurisdictions where a tax benefit is not expected to be realized of $16.3 million, unrecognized tax benefits of $16.0 million, primarily associated with the financial impacts surrounding the anticipated closure of our Belgium manufacturing facility, and non-deductible expenses and interest of $8.0 million. These adjustments were partially offset by adjustments for earnings in jurisdictions where the statutory rate is lower than the U.S. Federal rate, primarily in Bermuda, Germany, Luxembourg and Switzerland, which had a net favorable impact of $16.0 million, current year excess tax benefits related to stock-based compensation of $6.5 million and we recognized a benefit of $10.2 million associated with currency exchange losses. Additionally, we recorded a $12.4 million benefit to revise the provisional charge related to the U.S. TCJA reported in the Annual Report on Form 10-K for the year ended December 31, 2017 based on additional guidance released by the Department of the Treasury.

We recorded a provision for income taxes of $21.5 million for the nine months ended September 30, 2017, which represents a 17.2% effective tax rate in relation to the income before income taxes of $124.8 million. The effective tax rate for the nine months ended September 30, 2017 differs from the U.S. Federal statutory rate by 17.8%, which is the result of various items that impacted the effective rate both favorably and unfavorably. We recorded adjustments for earnings in jurisdictions where the statutory rate is lower than the U.S. Federal rate, primarily related to Bermuda, China, Germany, Luxembourg, Netherlands and Switzerland, which had a net favorable impact of $62.6 million and current year excess tax benefits related to stock-based compensation of $11.6 million. Furthermore, we recorded a deferred tax asset of $26.4 million related to the tax basis in our deconsolidated Venezuelan subsidiary, which was fully offset by a valuation allowance as we do not expect to realize the benefits. Our net favorable adjustments were partially offset by the impact of pre-tax losses attributable to jurisdictions where a tax benefit is not expected to be realized of $8.5 million, non-deductible expenses and interest of $10.9 million and $9.4 million associated with currency exchange losses. In addition, the pre-tax charge of $70.9 million related to the deconsolidation of our Venezuelan subsidiary resulted in an unfavorable impact of $24.8 million on the effective rate.

SEGMENT RESULTS

Three months ended September 30, 2018 compared to the three months ended September 30, 2017

The following table presents net sales by segment and segment Adjusted EBITDA for the periods presented:

	Three Months Ended September 30,	
(In millions)	**2018**	**2017**
Net Sales		
Performance Coatings	$ 755.0	$ 693.5
Transportation Coatings	384.3	398.3
Total	$ 1,139.3	$ 1,091.8
Segment Adjusted EBITDA		
Performance Coatings	$ 176.4	$ 135.1
Transportation Coatings	58.3	74.4
Total	$ 234.7	$ 209.5

Performance Coatings Segment

Net sales increased $61.5 million, or 8.9%, to $755.0 million for the three months ended September 30, 2018 compared to net sales of $693.5 million for the three months ended September 30, 2017. The increase in net sales for the three months ended September 30, 2018 was primarily driven by higher average selling prices across both end-markets which increased net sales by 5.7%. This growth was also driven by a 5.4% increase in sales volumes with contributions from both end-markets inclusive of a 0.6% benefit from acquisitions. Partially offsetting the increase were the unfavorable impacts of currency exchange related to the weakening of the Euro and certain currencies within Latin America and Asia compared to the U.S. Dollar, which contributed to a 2.2% decrease in net sales.

Adjusted EBITDA increased $41.3 million, or 30.6%, to $176.4 million for the three months ended September 30, 2018 compared to Adjusted EBITDA of $135.1 million for the three months ended September 30, 2017. The increase in Adjusted EBITDA for the three months ended September 30, 2018 was primarily driven by higher average selling prices, and increases in sales volumes, including the impacts of our recent acquisitions. This increase was partially offset by higher raw material costs and the unfavorable impacts of currency exchange related to the weakening of the Euro and certain currencies within Latin America and Asia compared to the U.S. Dollar.

Transportation Coatings Segment

Net sales decreased $14.0 million, or 3.5%, to $384.3 million for the three months ended September 30, 2018 compared to net sales of $398.3 million for the three months ended September 30, 2017. The decrease in net sales for the three months ended September 30, 2018 was driven by lower than average selling prices of 1.9% primarily in our light vehicle end-market and the unfavorable impacts of currency exchange related to the weakening of the Euro and certain currencies within Latin America and Asia compared to the U.S. Dollar, which contributed to a 3.1% decrease in net sales. These declines were partially offset by slight increases in sales volumes of 1.5%, driven primarily by our light vehicle end-market.

Adjusted EBITDA decreased $16.1 million, or 21.6%, to $58.3 million for the three months ended September 30, 2018 compared to Adjusted EBITDA of $74.4 million for the three months ended September 30, 2017. The decrease in Adjusted EBITDA in the three months ended September 30, 2018 was driven by lower average selling prices, higher raw material costs and unfavorable impacts of currency exchange related to the weakening of the Euro and certain currencies within Latin America and Asia compared to the U.S. Dollar, which were partially offset by increases in sales volumes across both end-markets.

Nine months ended September 30, 2018 compared to the nine months ended September 30, 2017

The following table presents net sales by segment and segment Adjusted EBITDA for the periods presented:

	Nine months ended September 30,	
(In millions)	**2018**	**2017**
Net Sales		
Performance Coatings	$ 2,268.2	$ 1,942.8
Transportation Coatings	1,243.4	1,245.3
Total	$ 3,511.6	$ 3,188.1
Segment Adjusted EBITDA		
Performance Coatings	$ 496.1	$ 398.8
Transportation Coatings	206.2	241.0
Total	$ 702.3	$ 639.8

Performance Coatings Segment

Net sales increased $325.4 million, or 16.7%, to $2,268.2 million for the nine months ended September 30, 2018 compared to net sales of $1,942.8 million for the nine months ended September 30, 2017. The increase in net sales for the nine months ended September 30, 2018 was primarily driven by a 9.7% increase in sales volumes with contributions from both end-markets, inclusive of a 7.7% benefit from acquisitions. Further contributing to the increase was higher average selling prices of 4.7% and the favorable impacts of currency exchange related to the strengthening of the Euro and Chinese Renminbi compared to the U.S. Dollar, which contributed to a 2.3% increase.

Adjusted EBITDA increased $97.3 million, or 24.4%, to $496.1 million for the nine months ended September 30, 2018 compared to Adjusted EBITDA of $398.8 million for the nine months ended September 30, 2017. The increase in Adjusted EBITDA in the nine months ended September 30, 2018 was primarily driven by increases in sales volumes, including the impacts of our recent acquisitions, higher average selling prices and favorable impacts of currency exchange related to the strengthening of the Euro and Chinese Renminbi compared to the U.S Dollar, which were partially offset by higher raw materials costs.

Transportation Coatings Segment

Net sales decreased $1.9 million, or 0.2%, to $1,243.4 million for the nine months ended September 30, 2018 compared to net sales of $1,245.3 million for the nine months ended September 30, 2017. The decrease in net sales for the nine months ended September 30, 2018 was driven by lower average selling prices which resulted in declines of 2.4% primarily in our light vehicle end-market, partially offset by favorable impacts of currency exchange related to the strengthening of the Euro and Chinese Renminbi compared to the U.S. Dollar which contributed to a 1.2% increase, as well as increases in sales volumes of 1.0% across both end-markets and all regions except for Europe.

Adjusted EBITDA decreased $34.8 million, or 14.4%, to $206.2 million for the nine months ended September 30, 2018 compared to Adjusted EBITDA of $241.0 million for the nine months ended September 30, 2017. The decrease in Adjusted EBITDA for the nine months ended September 30, 2018 was driven by lower average selling prices combined with higher raw materials costs and unfavorable impacts of currency exchange related to the weakening of certain currencies in Latin America compared to the U.S Dollar, partially offset by increased volumes across both 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 Revolving Credit Facility.

At September 30, 2018, availability under the Revolving Credit Facility was $356.2 million, net of $43.8 million of 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 September 30, 2018, we had $16.8 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 $8.4 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

Nine months ended September 30, 2018 and 2017

(In millions)	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Net cash provided by (used for):		
Operating activities:		
Net income	$ 136.5	$ 103.3
Depreciation and amortization	274.9	255.9
Amortization of deferred financing costs and original issue discount	5.8	6.1
Debt extinguishment	8.4	13.0
Deferred income taxes	(1.8)	(21.7)
Realized and unrealized foreign exchange (gains) losses, net	16.2	(1.4)
Stock-based compensation	27.5	30.5
Asset impairment	—	7.6
Loss on deconsolidation of Venezuela	—	70.9
Net interest income on swaps designated as net investment hedges	(5.9)	—
Other non-cash items	(3.9)	6.9
Net income adjusted for non-cash items	457.7	471.1
Changes in operating assets and liabilities	(212.2)	(164.7)
Operating activities	245.5	306.4
Investing activities	(204.5)	(646.7)
Financing activities	(212.5)	380.7
Effect of exchange rate changes on cash	(10.5)	13.5
Net (decrease) increase in cash and cash equivalents	$ (182.0)	$ 53.9

Nine months ended September 30, 2018

Net Cash Provided by Operating Activities

Net cash provided by operating activities for the nine months ended September 30, 2018 was $245.5 million. Net income before deducting depreciation, amortization and other non-cash items generated cash of $457.7 million. This was partially offset by net uses of working capital of $212.2 million. The most significant drivers of the uses of working capital were accounts receivables of $119.5 million and prepaid expenses and other of $127.9 million, due to the seasonal increase in net sales and upfront customer incentive payments during the nine months ended September 30, 2018. Other drivers of the working capital uses were other accrued liabilities of $33.6 million related to payments of normal operating activities, including interest payments on our long-term indebtedness and timing of cash payments for involuntary termination benefits associated with our productivity initiatives and annual employee performance related benefits.

Net Cash Used for Investing Activities

Net cash used for investing activities for the nine months ended September 30, 2018 was $204.5 million. The primary uses were for business acquisitions of $79.2 million, purchases of property, plant and equipment of $109.5 million and an investment in a non-controlling interest of $26.9 million.

Net Cash Used for Financing Activities

Net cash used for financing activities for the nine months ended September 30, 2018 was $212.5 million. This change was driven by payments of $538.9 million on short-term and long-term borrowings that included the repayment of the 2023 Euro Term Loans, purchases of treasury stock totaling $147.8 million, and payments of $11.9 million consisting of financing-related costs, deferred acquisition-related consideration associated with historical acquisitions, and dividends to noncontrolling interests. These payments were offset by net proceeds of $468.9 million relating to the refinancing of our 2024 Dollar Term Loans and cash received from stock option exercises of $17.2 million.

Other Impacts on Cash

Currency exchange impacts on cash for the nine months ended September 30, 2018 were unfavorable by $10.5 million, which was driven primarily by the Euro, Chinese Renminbi and certain currencies within Latin America.

Nine months ended September 30, 2017

Net Cash Provided by Operating Activities

Net cash provided by operating activities for the nine months ended September 30, 2017 was $306.4 million. Net income before deducting depreciation, amortization and other non-cash items generated cash of $471.1 million. This was partially offset by net uses of working capital of $164.7 million. The most significant drivers in working capital were increases in accounts receivables of $44.5 million, inventory of $37.6 million and other assets of $79.9 million, due to the seasonal increase in net sales, increased inventory builds to support ongoing operational demands and upfront customer incentive payments during the nine months ended September 30, 2017. Other uses were due to reductions in other accrued liabilities of $27.8 million and other liabilities of $9.1 million related to payments of normal operating activities, including interest payments on our long-term indebtedness and timing of cash payments for annual employee performance related benefits, offset by increases in accounts payable of $34.2 million.

Net Cash Used for Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2017 was $646.7 million. This use was driven by business acquisitions of $559.3 million, purchases of property, plant and equipment of $87.2 million and reduction of cash due to Venezuela deconsolidation of $4.3 million, and net cash used for other investing activities of $4.6 million.

Net Cash Provided by Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2017 was $380.7 million. This change was driven by net proceeds of $456.4 million relating to the refinancing of our 2023 Dollar Term Loans and cash received from stock option exercises of $19.9 million. These proceeds were offset by purchases of treasury stock for $58.4 million and other payments of $37.2 million consisting of financing-related costs, pay-down of short-term and long-term borrowings, deferred acquisition-related considerations, including payments for deferred purchase price consideration and contingent consideration on historical acquisitions, and dividends to noncontrolling interests.

Other Impacts on Cash

Currency exchange impacts on cash for the nine months ended September 30, 2017 were favorable $13.5 million, which was driven by exchange impacts from various foreign currencies.

Financial Condition

We had cash and cash equivalents at September 30, 2018 and December 31, 2017 of $588.1 million and $769.8 million, respectively. Of these balances, $429.1 million and $398.9 million were maintained in non-U.S. jurisdictions as of September 30, 2018 and December 31, 2017, 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.

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

(In millions)	**September 30, 2018**	**December 31, 2017**
2024 Dollar Term Loans	$ 2,417.9	$ 1,960.0
2023 Euro Term Loans	—	472.5
2024 Dollar Senior Notes	500.0	500.0
2024 Euro Senior Notes	392.3	399.7
2025 Euro Senior Notes	526.8	536.9
Short-term and other borrowings	102.8	94.8
Unamortized original issue discount	(13.2)	(9.1)
Unamortized deferred financing costs	(32.1)	(39.2)
	$ 3,894.5	$ 3,915.6
Less:		
Short-term borrowings	$ 18.2	$ 12.9
Current portion of long-term borrowings	24.3	24.8
Long-term debt	$ 3,852.0	$ 3,877.9

Our indebtedness, including the Senior Secured Credit Facilities and Senior Notes, is more fully described in Note 16 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

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 $356.2 million and $364.5 million at September 30, 2018 and December 31, 2017, 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.

In April 2018, we entered into the Sixth Amendment, which repriced the 2024 Dollar Term Loans and increased the aggregate principal balance of our 2024 Dollar Term Loans by $475.0 million to $2,430.0 million. Proceeds from the Sixth Amendment, along with cash on the balance sheet, were used to extinguish the existing 2023 Euro Term Loans.

Concurrent with the refinancing, we executed interest rate and cross-currency swaps to convert $475.0 million of the 2024 Dollar Term Loans principal into Euro fixed-rate debt at an interest rate of 1.95%, which matures in 2023. The combined effect of the refinancing and the swaps are expected to result in annual cash interest savings of approximately $10 million.

Contractual Obligations

The following table summarizes our contractual obligations at September 30, 2018:

	Contractual Obligations Due In:				
(In millions)	**Total**	**Remainder of 2018**	**2019-2020**	**2021-2022**	**Thereafter**
Debt, including current portion (1)					
Senior Secured Credit Facilities, consisting of the following:					
Term Loan Facilities:					
2024 Dollar Term Loans	$ 2,417.9	$ 6.1	$ 48.6	$ 48.6	$ 2,314.6
Senior Notes, consisting of the following:					
2024 Dollar Senior Notes	500.0	—	—	—	500.0
2024 Euro Senior Notes	392.3	—	—	—	392.3
2025 Euro Senior Notes	526.8	—	—	—	526.8
Other borrowings (2)	46.7	12.3	7.5	26.9	—
Interest payments (3)	939.3	25.7	323.4	316.2	274.0
Sale-leaseback financing (4)	105.6	1.3	10.7	11.1	82.5
Operating leases	127.2	10.9	63.9	28.5	23.9
Pension contributions (5)	4.1	4.1	—	—	—
Purchase obligations (6)	246.9	71.6	126.8	37.1	11.4
Uncertain tax positions, including interest and penalties (7)	—	—	—	—	—
Total	$ 5,306.8	$ 132.0	$ 580.9	$ 468.4	$ 4,125.5

(1) During the nine months ended September 30, 2018 we repriced our 2024 Dollar Term Loans and increased the aggregate principal balance by $475.0 million, for which the proceeds were used, along with cash on the balance sheet, to extinguish the existing 2023 Euro Term Loan (see Note 16 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q). Amounts assume that the Senior Secured Credit Facilities and Senior Notes are repaid upon maturity, and the Revolving Credit Facility remains undrawn, which may or may not reflect future events.

(2) Other borrowings exclude debt associated with three of our leases treated as indebtedness, discussed within end-note 4.

(3) Interest payments are based on principal amounts of our Senior Secured Credit Facilities and Senior Notes at September 30, 2018 including commitment fees on the unused portion of the Revolving Credit Facility. Future interest payments assume September 30, 2018 variable rates will prevail throughout all future periods and do not consider the effect of our derivative instruments. See Note 16 and Note 18 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for disclosures of our interest rates and derivatives, respectively.

(4) We currently have three lease arrangements that are treated as sale-leaseback financing transactions, for which we reflect the total cash rental costs to be paid over the terms of these leases within the table above.

(5) We expect to make contributions to our defined benefit pension plans beyond 2018; 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 2018.

(6) Purchase obligations include various commitments, including contractual commitments to acquire ownership interests in a joint venture and pay deferred consideration, as a result of business acquisitions completed in 2017 and 2018. At September 30, 2018, we are committed to pay $27.0 million in 2019 related to the purchase of a remaining joint venture interest. In addition, we have $11.4 million in interest rate caps which will be paid through 2021 and $60.0 million in commitments to prepay rebates to certain customers in 2018 and 2019, which will be earned or repaid in future periods.

(7) At September 30, 2018, we had approximately $37.4 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.

Scheduled Maturities

Below is a schedule of required future repayments of all borrowings outstanding at September 30, 2018.

(In millions)		
Remainder of 2018	$	18.5
2019		32.0
2020		25.1
2021		25.2
2022		52.0
Thereafter		3,768.6
Total	$	3,921.4

The table above excludes $18.4 million of debt associated with our sale-leaseback financings that will not be settled with cash.

Off-Balance Sheet Arrangements

See Note 7 "Commitments and Contingencies" to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for disclosure of our guarantees of certain customers' obligations to third parties.

Recent Accounting Guidance

See Note 2 "Recent Accounting Guidance" to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for a summary of recent accounting guidance.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies are those accounting policies that can have a significant impact on the presentation of our financial condition and results of operations, and that require the use of complex and subjective estimates based upon past experience and management's judgment. Because of the uncertainty inherent in such estimates, actual results may differ materially from these estimates. The policies applied in preparing our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q are those that management believes are the most dependent on estimates and assumptions. There have been no material changes to our critical accounting policies and estimates previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017. For a description of our critical accounting policies and estimates as well as a listing of our significant accounting policies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates" and "Note 3 - Summary of Significant Accounting Policies" in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the market risks previously disclosed in our financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

ITEM 4. 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 the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. 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 as of September 30, 2018.

Changes in internal control over financial reporting

There were no changes in the Company's internal control over financial reporting that occurred during the three months ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. 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.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from the risks previously reported in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table summarizes the Company's share repurchase activity through its share repurchase program for the three months ended September 30, 2018:

(in thousands, except per share data)

Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs [1]	Approximate Dollar Value of Shares That May Yet Be Purchased Under Our Share Repurchase Agreement [1]
July 2018	—	$ —	—	$ 516,569.4
August 2018	830.9	30.11	830.9	491,552.8
September 2018	849.2	29.17	849.2	466,776.9
Total	**1,680.1**	**$ 29.64**	**1,680.1**	**$ 466,776.9**

[1] Shares were repurchased through the $675.0 million share repurchase program announced in March 2017. We repurchased $49.8 million of our common shares during the three months ended September 30, 2018 and $158.4 million in prior periods. At September 30, 2018, the Company had remaining authorization to repurchase $466.8 million of shares. There is no expiration date on the share repurchase program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Appointment of Interim CEO and Interim CFO

On October 7, 2018, the Board appointed Mr. Bryant, Axalta's Executive Vice President and Chief Financial Officer, to serve in the additional role of interim Chief Executive Officer, and on October 12, 2018 the Board appointed Sean M. Lannon, Axalta's Vice President, Corporate Finance and Global Controller, to serve as interim Chief Financial Officer.

ITEM 6. EXHIBITS

EXHIBIT NO.	DESCRIPTION OF EXHIBITS
10.68	Amendment to Second Amended and Restated Executive Restrictive Covenant and Severance Agreement
10.69	Chief Executive Officer Offer Letter
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 - XBRL Instance Document
101†	SCH - XBRL Taxonomy Extension Schema Document
101†	CAL - XBRL Taxonomy Extension Calculation Linkbase Document
101†	DEF - XBRL Taxonomy Extension Definition Linkbase Document
101†	LAB - XBRL Taxonomy Extension Label Linkbase Document
101†	PRE - XBRL Taxonomy Extension Presentation Linkbase Document
†	In accordance with Rule 406T of Regulation S-T, the information in these exhibits is furnished and deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Exchange Act of 1934, and otherwise is not subject to liability under these sections.
††	This certificate is being furnished solely to accompany the report pursuant to 18 U.S.C. Section 1350 and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

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

AXALTA COATING SYSTEMS LTD.

Date:	October 25, 2018	By: /s/ Robert W. Bryant Robert W. Bryant Interim Chief Executive Officer
Date:	October 25, 2018	By: /s/ Sean M. Lannon Sean M. Lannon Vice President and Interim Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

AMENDMENT TO SECOND AMENDED AND RESTATED EXECUTIVE RESTRICTIVE COVENANT AND SEVERANCE AGREEMENT

THIS AMENDMENT ("***Amendment***") is made effective as of July 25, 2018 (the "***Effective Date***") by and among Axalta Coating Systems Ltd., a Bermuda exempted limited liability company (the "***Company***" and as the context requires the Company shall include the Company's subsidiaries), Axalta Coating Systems, LLC, a Delaware limited liability company, and Charles W. Shaver ("***Executive***") (collectively, the "***Parties***").

WHEREAS, Executive has provided notice of his resignation as Chief Executive Officer and President of the Company, with such termination to be effective as of 11:59PM on September 3, 2018; and

WHEREAS, the Parties desire to amend the Second Amended and Restated Executive Restrictive Covenant and Severance Agreement, with an effective date of February 20, 2018, by and among the Parties (the "***Agreement***").

NOW THEREFORE, in consideration of the mutual covenants contained herein, and other valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound hereby, the Parties hereby agree as follows:

1. This Amendment shall become effective at the Effective Date.

2. Capitalized terms not defined in this Amendment shall have the meanings ascribed to them in the Agreement.

3. Section 2(c) of the Agreement is hereby amended and restated in its entirety to read as follows:

"(c) Other Terminations. Upon Executive's termination of employment for any reason other than as set forth in Section 2(a) and Section 2(b), the Company shall not have any other or further obligations to Executive under this Agreement (including any financial obligations) except that Executive shall be entitled to receive (i) Executive's fully earned but unpaid base salary, through the date of termination at the rate then in effect (ii) all other amounts or benefits to which Executive is entitled under any compensation, retirement or benefit plan or practice of the Company at the time of termination in accordance with the terms of such plans or practices, including, without limitation, any continuation of benefits required by COBRA or applicable law, and (iii) if Executive remains employed until 11:59PM on September 3, 2018, and his employment terminates at such time in accordance with Executive's letter of resignation dated July 25, 2018, the following: (A) the Company shall pay to Executive a pro-rated annual bonus equal to 246/365 (67.39%) of the 2018 annual bonus that Executive would have earned had Executive's employment not terminated, based on the Company's actual performance for the full year and Executive's individual performance through the termination date, and paid at the same time the 2018 annual bonuses are paid to the Company's executives, (B) all of Executive's Company stock options that are vested and unexercised as of the date of termination shall remain exercisable until the earlier of (1) the second anniversary of the date Executive is no longer serving as an employee, director or consultant of the Company, and (2) the date the stock option would have expired had Executive's employment not terminated, (C) if the Board removes Executive from the Board without his consent before the date his stock options, restricted stock and/or performance share awards would have vested in 2019 had he remained on the Board, such awards shall vest to the same extent (and at the same time) as if he had remained on the Board through such vesting dates in 2019, and (D) the Company shall continue to pay Mr. Shaver's dues to the Union League in Philadelphia, which is used for Company events, as long as he remains on the Board."

4. For avoidance of doubt, nothing in Section 2(e) of the Agreement shall affect Executive's entitlement to receive compensation for his continuing service on the Board or in a consulting capacity after termination of his employment with the Company.

5. Section 2(g) of the Agreement is hereby amended and restated in its entirety to read as follows:

"(g) Return of the Company's Property. If Executive's employment is terminated for any reason, the Company shall have the right, at its option, to require Executive to vacate his office prior to or on the effective date of termination and to cease all activities as an officer or employee on the Company's behalf. Upon the termination of his employment in any manner, Executive shall immediately surrender to the Company all lists, books and records of, or in connection with, the Company's business, and all other property belonging to the Company, it being distinctly understood that all such lists, books and records, and other documents, are the property of the Company; provided, however, that, notwithstanding anything contained in the Agreement to the contrary, if Executive remains employed until 11:59PM on September 3, 2018, and his employment terminates at such time in accordance with Executive's letter of resignation dated July 25, 2018, Executive shall be allowed to retain his Company-provided computer and telecommunications equipment, access to the Company's corporate headquarters, and access to Company e-mail and data reasonably necessary for him to effectively fulfill has obligations on the Board so long as he is serving on the Board."

6. The fourth sentence of Section 10 of the Agreement is hereby amended and restated in its entirety to read as follows:

"Upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all offices, if any, then held with the Company or any of its Affiliates, but shall not be deemed to have resigned from the Board, the Executive Committee, or his positions as Chairman of the Board or Chair of the Executive Committee."

7. Except as expressly amended hereby, the Agreement shall remain in full force and effect in accordance with its original terms.

8. The Agreement, as amended by this Amendment, embodies the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings relating to the subject matter hereof. Except as specifically modified herein, the Agreement shall continue in full force and effect in accordance with all of the terms and conditions thereof, including in respect of the governing law.

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties have executed this Amendment effective as of the date and year first above written.

Executive

/s/ Charles W. Shaver
Charles W. Shaver

Axalta Coating Systems Ltd.

By: /s/ Michael Finn
Name: Michael Finn
Title: SVP, General Counsel

Axalta Coating Systems, LLC

By: /s/ Michael Finn
Name: Michael Finn
Title: SVP, General Counsel

July 25, 2018

Terrence Hahn

Dear Terrence,

On behalf of the Board of Directors of Axalta Coating Systems Ltd. (including, as the context requires, its affiliated legal entities, “Axalta”), I am pleased to offer you a position as Chief Executive Officer (“CEO”) and President of Axalta. At Axalta, the strength of our company lies in our people. Our legacy is built on more than 150 years in the coatings industry and we are excited that you will be playing an important role in continuing our traditions of innovation and leadership.

This letter confirms our offer to you to join Axalta as CEO and President, reporting to the Board of Directors. Your anticipated start date is Tuesday, September 4, 2018, and your primary work location will be in our corporate headquarters in Philadelphia, PA.

Annual Base Salary

Your initial annual base salary will be $950,000.

Annual Incentive

You will be eligible to participate in our annual incentive program, with an annual incentive target of 110% of your annual base salary (the “Target Amount”). We anticipate that your 2018 annual incentive will be equal to the Target Amount, prorated based on the number of days remaining in the year on your start date, divided by 365 (i.e. ~$340,699); however, consistent with our pay-for-performance compensation philosophy, the Compensation Committee of the Board of Directors of Axalta (the “Compensation Committee”) shall retain discretion to determine your 2018 annual incentive based on individual and/or Company performance through the remainder of 2018. For future years, payment under the annual incentive program will be based on the achievement of performance goals determined by, or under the direction of, the Compensation Committee, which may include corporate, business, individual, and/or other performance metrics. Your actual award payment will range from 0 to 200% of the Target Amount depending on performance against those metrics. Payment under our annual incentive program occurs in the first quarter of the year following the year to which the bonus relates. Eligibility to receive payment under our annual incentive program is subject to the terms of the program and your continued employment with Axalta through the applicable date(s) of payment. If your employment terminates prior to the applicable date(s) of payment, you will not be eligible to receive an annual incentive program payment.

Long-Term Incentives

Beginning in 2019, you will be eligible to receive equity grants together with other executive officers of Axalta in such amounts and subject to such terms and conditions as determined by the Compensation Committee. Your 2019 equity awards will have an aggregate target grant date fair value of $4,250,000, and will be allocated consistent with Axalta’s equity program for senior officers, which, consistent with past practice, we expect to be allocated 50% in the form of performance share units (“PSUs”) that cliff vest on the 3rd anniversary of grant (with the number of PSUs actually earned based on the Company’s performance over the 3-year performance period), 25% in the form of restricted stock units (“RSUs”), and 25% in the form of nonqualified stock options, with the RSUs and stock options each vesting 1/3rd annually on the 1st, 2nd and 3rd grant date anniversaries, subject to continued employment through the applicable vesting dates.

Subject to the terms described in this offer letter, all equity awards will be governed by the terms of Axalta’s 2014 Incentive Award Plan and separate award agreements that will be entered into between you and Axalta.

Sign-On Awards

You will receive a $500,000 cash sign-on bonus, which will be paid in the first pay period following your first day of employment. If, within 12 months after payment of the sign-on bonus, you terminate your employment with Axalta other than for Good Reason or Axalta terminates your employment for Cause, you agree to repay 100% of the sign-on bonus within 30 days after the date of termination. If, between the 12th and 24th month after payment of the sign-on bonus, you terminate your employment with Axalta other than for Good Reason or Axalta terminates your employment for Cause, you agree to repay 50% of the sign-on bonus within 30 days after the date of termination.

Additionally, you will receive sign-on equity awards having a grant date fair value of $2,500,000. A minimum of 50% of the sign-on equity awards will be granted in the form of nonqualified stock options, with the remainder in the form of RSUs. You may elect to receive a greater than 50% portion (up to 100%) of the sign-on equity in the form of nonqualified stock options. The awards will vest 50% on the 2nd anniversary of the grant date and 50% on the 3rd anniversary of the grant date, subject to your continued employment through the applicable vesting date; provided that, notwithstanding anything to the contrary in the Executive Restrictive Covenant and Severance Agreement dated July 25, 2018, if, within 24 months following your first day of employment, Axalta terminates your employment without Cause or you terminate your employment for Good Reason, any unvested portion of the sign-on equity awards will vest on the date of termination. The terms of the equity awards will otherwise be consistent with the terms of our standard time-based equity award agreements for executive officers. The number of stock options granted will be determined based on the Black-Scholes value of the options on the date of grant. It is anticipated that this grant will occur on the 3rd trading day following your first day of employment (with the exercise price based on the closing price of an Axalta share on the date of grant). The number of RSUs granted, if any, will be based on the closing price of an Axalta share on the date of grant.

For purposes of the sign-on bonus and sign-on equity awards, the terms “Good Reason” and “Cause” shall have the meanings set forth in the Executive Restrictive Covenant and Severance Agreement attached hereto.

Prorated 2018 Long-Term Incentive Awards

In addition to the sign-on equity awards, you will receive two prorated equity awards for 2018. The equity awards will have an aggregate grant date fair value equal to $4,250,000, multiplied by a fraction, the numerator of which will be the number of days remaining in the year on your start date, and the denominator of which will be 365. Assuming a September 4 start date, your prorated 2018 equity award would have an aggregate grant date fair value of ~$1,385,616. Half of the 2018 equity awards will be granted in the form of nonqualified stock options (having a grant date fair value of $692,808, assuming a September 4 start date) and the remaining half will be granted in the form of RSUs (having a grant date fair value of $692,808, assuming a September 4 start date), with one-third (1/3) of each award vesting on the 1st, 2nd and 3rd anniversaries of the grant date of the awards (which is anticipated to be the 3rd trading day following your first day of employment), subject to your continued employment through the applicable vesting dates. The terms of the equity awards will otherwise be consistent with the terms of our standard time-based equity award agreements for executive officers. As with the sign-on equity awards, the number of stock options granted as part of the 2018 equity award will be determined based on the Black-Scholes value of the options on the date of grant (with the exercise price based on the closing price of an Axalta share on the date of grant), and the number of RSUs granted will be based on the closing price of an Axalta share on the date of grant.

Relocation and Legal Fees

We will reimburse you for reasonable temporary housing expenses, reasonable travel expenses to and from your existing residence, and reasonable and customary relocation expenses incurred in calendar year 2018, in each case as reasonably agreed between you and the Board's non-Executive Chairman, including any closing costs on the purchase of a new residence in the Philadelphia, PA area. We will also reimburse you for up to $10,000 of legal fees you incur in connection with the negotiation of your employment terms.

Benefits

The Company offers a comprehensive benefits program, details of which will be provided under separate cover. You will be entitled to in-building parking and annual executive physicals in accordance with Axalta's policies and practices for executive officers.

Holidays

The Company provides 11 paid holidays each calendar year. You are eligible for all remaining Company holidays during the current calendar year.

Vacation

Effective January 1 of the following calendar year, you will be eligible to earn up to 25 days of paid vacation annually. For the remainder of 2018, you will be eligible for a prorated portion of that annual vacation amount based on your hire date. Should your employment with the Company cease**,** you will be paid for any unused vacation in accordance with our vacation policy to the extent so provided in the Company's vacation policy in effect at the time of your termination, or as may be required by applicable law.

Tax Matters

All amounts provided pursuant to this offer letter shall be subject to reduction for applicable taxes required to be withheld by applicable law. To the extent any reimbursements constitute deferred compensation for purposes of Section 409A of the Internal Revenue Code, the reimbursements will be provided in a manner that complies with Treasury Regulation Section 1.409A-3(i)(1)(iv). Accordingly, (a) all such reimbursements will be made not later than the last day of the calendar year after the calendar year in which the expenses were incurred, (b) any right to such reimbursements will not be subject to liquidation or exchange for another benefit, and (c) the amount of the expenses eligible for reimbursement during any calendar year will not affect the amount of expenses eligible for reimbursement, or the in-kind benefits provided, in any other calendar year.

Conditions of Employment

This offer is contingent upon your acceptance of this letter, and the attached "Executive Restrictive Covenant and Severance Agreement."

This offer also is contingent upon:

- Satisfactory completion of a drug screen.
- Presentation of necessary documents to complete the I-9 Employment Eligibility Verification and confirm that you are authorized to be employed in the U.S.
- Satisfactory completion of a background check including criminal and credit checks and suitable references.

Your employment at Axalta is at-will, meaning that both you and the Company each have the right to terminate the employment relationship at any time. Subject to the terms of this offer letter and the terms of the Executive Restrictive Covenant and Severance Agreement, Axalta reserves the right to change the terms and conditions of employment, and to amend, terminate or otherwise modify the terms and conditions of any or all of its employee benefit and compensation plans (subject to the terms thereof), at any time.

This offer letter is governed by and construed in accordance with the laws of the United States and the Commonwealth of Pennsylvania, without regard to the conflicts of laws principles thereof. Any controversy, claim or dispute arising out of or relating to this offer letter shall be settled solely and exclusively by a binding arbitration process administered by JAMS/Endispute in Philadelphia, Pennsylvania. Such arbitration shall be conducted in accordance with the then-existing JAMS/Endispute Rules of Practice and Procedure.

The terms of this offer and final and binding and may not be amended or otherwise modified without your and the Company's express written consent.

By accepting this offer, you represent that you are not subject to a non-compete agreement, restrictive covenant or to any other obligation to a prior employer or a third party which would prevent your employment by Axalta or limit the performance of your responsibilities as Chief Executive Officer and President.

Please note your acceptance of this offer by signing and emailing back to Michael Finn, SVP, General Counsel and Corporate/Government Affairs at michael.finn@axaltacs.com.

We have an exciting and diverse team of exceptional people and believe you will contribute significantly as a member of our team. We look forward to you joining Axalta.

Sincerely,

/s/ Charlie Shaver

Charlie Shaver

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, I accept this offer of employment under the terms outlined in this offer letter and subject to the conditions of employment set forth above. I further acknowledge and agree that, effective upon my start date, my below signature also binds me with respect to the Onboarding Documents.

/s/ Terrence Hahn_________________ 7-25-18_________________
Signature Date

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Robert W. Bryant, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: October 25, 2018

By:	/s/ Robert W. Bryant
Name:	Robert W. Bryant
Title:	Interim Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Sean M. Lannon, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: October 25, 2018

By:	/s/ Sean M. Lannon
Name:	Sean M. Lannon
Title:	Vice President and Interim Chief Financial Officer

Exhibit 32.1

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, Interim 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 Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2018 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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: October 25, 2018

By:	/s/ Robert W. Bryant
Name:	Robert W. Bryant
Title:	Interim Chief Executive 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.

Exhibit 32.2

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, Vice President and Interim 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 Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2018 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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: October 25, 2018

By:	/s/ Sean M. Lannon
Name:	Sean M. Lannon
Title:	Vice President and Interim 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.