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

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**FORM 10-Q**

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

For the quarterly period ended September 30, 2020  
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

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**AXALTA COATING SYSTEMS LTD.**

(Exact name of registrant as specified in its charter)

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<b>Bermuda</b> (State or other jurisdiction of incorporation or organization)	<b>2851</b> (Primary Standard Industrial Classification Code Number)	<b>98-1073028</b> (I.R.S. Employer Identification No.)
<b>Two Commerce Square</b> <b>2001 Market Street</b> <b>Suite 3600</b> <b>Philadelphia, Pennsylvania 19103</b> <b>(855) 547-1461</b>		

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

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

<b>Common Shares, \$1.00 par value</b> (Title of class)	<b>AXTA</b> (Trading symbol)	<b>New York Stock Exchange</b> (Exchange on which registered)
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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

Indicate by check mark whether the registrant 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  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

As of October 19, 2020, there were 235,476,819 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		Nine Months Ended September	
	30,	2019	2020	2019
	2020	2019	2020	2019
Net sales	\$ 1,026.9	\$ 1,107.0	\$ 2,663.1	\$ 3,383.8
Cost of goods sold	634.1	707.4	1,780.1	2,207.1
Selling, general and administrative expenses	166.5	199.2	516.1	617.2
Other operating charges	42.6	31.8	98.9	41.4
Research and development expenses	13.4	17.4	41.2	53.5
Amortization of acquired intangibles	28.6	28.2	84.5	85.1
Income from operations	141.7	123.0	142.3	379.5
Interest expense, net	39.8	40.2	112.4	122.5
Other expense (income), net	2.3	(1.9)	0.9	(3.8)
Income before income taxes	99.6	84.7	29.0	260.8
Provision (benefit) for income taxes	17.1	18.3	(22.7)	50.4
Net income	82.5	66.4	51.7	210.4
Less: Net income (loss) attributable to noncontrolling interests	—	0.9	(0.2)	3.1
Net income attributable to controlling interests	\$ 82.5	\$ 65.5	\$ 51.9	\$ 207.3
Basic net income per share	\$ 0.35	\$ 0.28	\$ 0.22	\$ 0.89
Diluted net income per share	\$ 0.35	\$ 0.28	\$ 0.22	\$ 0.88

*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		Nine Months Ended September	
	30,	30,	30,	30,
	2020	2019	2020	2019
Net income	\$ 82.5	\$ 66.4	\$ 51.7	\$ 210.4
Other comprehensive income (loss), before tax:				
Foreign currency translation adjustments	33.4	(52.8)	(46.1)	(40.4)
Unrealized gain (loss) on derivatives	7.0	(4.6)	(36.3)	(39.5)
Unrealized (loss) gain on pension plan obligations	(0.5)	0.5	(0.5)	1.0
Other comprehensive income (loss), before tax	39.9	(56.9)	(82.9)	(78.9)
Income tax provision (benefit) related to items of other comprehensive income (loss)	1.0	(0.5)	(5.4)	(5.3)
Other comprehensive income (loss), net of tax	38.9	(56.4)	(77.5)	(73.6)
Comprehensive income (loss)	121.4	10.0	(25.8)	136.8
Less: Comprehensive (loss) income attributable to noncontrolling interests	(0.5)	0.3	(3.0)	5.2
Comprehensive income (loss) attributable to controlling interests	\$ 121.9	\$ 9.7	\$ (22.8)	\$ 131.6

*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, 2020	December 31, 2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,341.3	\$ 1,017.5
Restricted cash	2.9	3.0
Accounts and notes receivable, net	824.2	830.1
Inventories	536.7	591.6
Prepaid expenses and other current assets	145.2	131.2
Total current assets	<u>2,850.3</u>	<u>2,573.4</u>
Property, plant and equipment, net	1,165.2	1,223.0
Goodwill	1,245.8	1,208.9
Identifiable intangibles, net	1,148.6	1,223.9
Other assets	626.6	588.8
Total assets	<u>\$ 7,036.5</u>	<u>\$ 6,818.0</u>
<b>Liabilities, Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 482.9	\$ 483.7
Current portion of borrowings	48.7	43.9
Other accrued liabilities	533.6	545.3
Total current liabilities	<u>1,065.2</u>	<u>1,072.9</u>
Long-term borrowings	4,010.9	3,790.2
Accrued pensions	284.0	285.2
Deferred income taxes	108.5	115.5
Other liabilities	183.2	144.6
Total liabilities	<u>5,651.8</u>	<u>5,408.4</u>
Commitments and contingencies (Note 5)		
Shareholders' equity:		
Common shares, \$1.00 par, 1,000.0 shares authorized, 250.7 and 250.1 shares issued at September 30, 2020 and December 31, 2019, respectively	250.6	249.9
Capital in excess of par	1,484.1	1,474.1
Retained earnings	493.6	443.2
Treasury shares, at cost, 15.2 shares at September 30, 2020 and December 31, 2019	(418.4)	(417.5)
Accumulated other comprehensive loss	(470.2)	(395.5)
Total Axalta shareholders' equity	<u>1,339.7</u>	<u>1,354.2</u>
Noncontrolling interests	45.0	55.4
Total shareholders' equity	<u>1,384.7</u>	<u>1,409.6</u>
Total liabilities and shareholders' equity	<u>\$ 7,036.5</u>	<u>\$ 6,818.0</u>

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

**AXALTA COATING SYSTEMS LTD.**  
Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)  
(In millions)

	Common Stock			Retained Earnings	Treasury Shares, at cost	Accumulated Other Comprehensive Loss	Non controlling Interests	Total
	Number of Shares	Par/Stated Value	Capital In Excess Of Par					
Balance at December 31, 2019	234.9	\$ 249.9	\$ 1,474.1	\$ 443.2	\$ (417.5)	\$ (395.5)	\$ 55.4	\$ 1,409.6
Comprehensive income (loss):								
Net income	—	—	—	52.2	—	—	0.2	52.4
Net realized and unrealized loss on derivatives, net of tax benefit of \$6.0 million	—	—	—	—	—	(34.7)	—	(34.7)
Long-term employee benefit plans, net of tax benefit of \$0.2 million	—	—	—	—	—	(0.4)	—	(0.4)
Foreign currency translation, net of tax of \$0.0 million	—	—	—	—	—	(83.3)	(3.2)	(86.5)
Total comprehensive income (loss)	—	—	—	52.2	—	(118.4)	(3.0)	(69.2)
Cumulative effect of an accounting change	—	—	—	(1.5)	—	—	—	(1.5)
Recognition of stock-based compensation	—	—	5.1	—	—	—	—	5.1
Shares issued under compensation plans	0.4	0.5	(1.6)	—	—	—	—	(1.1)
Ownership changes relating to noncontrolling interests	—	—	0.5	—	—	—	(2.1)	(1.6)
Dividends declared to noncontrolling interests	—	—	—	—	—	—	(0.5)	(0.5)
Balance at March 31, 2020	235.3	250.4	1,478.1	493.9	(417.5)	(513.9)	49.8	1,340.8
Comprehensive income (loss):								
Net loss	—	—	—	(82.8)	—	—	(0.4)	(83.2)
Net realized and unrealized loss on derivatives, net of tax benefit of \$0.4 million	—	—	—	—	—	(2.2)	—	(2.2)
Long-term employee benefit plans, net of tax of \$0.2 million	—	—	—	—	—	0.4	—	0.4
Foreign currency translation, net of tax of \$0.0 million	—	—	—	—	—	6.1	0.9	7.0
Total comprehensive income (loss)	—	—	—	(82.8)	—	4.3	0.5	(78.0)
Recognition of stock-based compensation	—	—	6.1	—	—	—	—	6.1
Shares issued under compensation plans	0.1	0.1	1.1	—	—	—	—	1.2
Changes in redeemable noncontrolling interest	—	—	(5.8)	—	—	—	(4.8)	(10.6)
Common stock purchases	—	—	—	—	(0.9)	—	—	(0.9)
Balance at June 30, 2020	235.4	250.5	1,479.5	411.1	(418.4)	(509.6)	45.5	1,258.6
Comprehensive income (loss):								
Net income	—	—	—	82.5	—	—	—	82.5
Net realized and unrealized gain on derivatives, net of tax of \$1.0 million	—	—	—	—	—	6.0	—	6.0
Long-term employee benefit plans, net of tax of \$0.0 million	—	—	—	—	—	(0.5)	—	(0.5)
Foreign currency translation, net of tax of \$0.0 million	—	—	—	—	—	33.9	(0.5)	33.4
Total comprehensive income (loss)	—	—	—	82.5	—	39.4	(0.5)	121.4
Recognition of stock-based compensation	—	—	4.7	—	—	—	—	4.7
Shares issued under compensation plans	0.1	0.1	(0.1)	—	—	—	—	—
Balance at September 30, 2020	235.5	\$ 250.6	\$ 1,484.1	\$ 493.6	\$ (418.4)	\$ (470.2)	\$ 45.0	\$ 1,384.7

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

**AXALTA COATING SYSTEMS LTD.**  
Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)  
(In millions)

	Common Stock			Retained Earnings	Treasury Shares, at cost	Accumulated Other Comprehensive Loss	Non controlling Interests	Total
	Number of Shares	Par/Stated Value	Capital In Excess Of Par					
Balance at December 31, 2018	235.6	\$ 245.3	\$ 1,409.5	\$ 198.6	\$ (312.2)	\$ (336.1)	\$ 105.4	\$ 1,310.5
Comprehensive income:								
Net income	—	—	—	43.4	—	—	0.7	44.1
Net realized and unrealized loss on derivatives, net of tax benefit of \$2.2 million	—	—	—	—	—	(12.4)	—	(12.4)
Long-term employee benefit plans, net of tax of \$0.5 million	—	—	—	—	—	—	—	—
Foreign currency translation, net of tax of \$0.0 million	—	—	—	—	—	12.8	0.5	13.3
Total comprehensive income	—	—	—	43.4	—	0.4	1.2	45.0
Cumulative effect of an accounting change	—	—	—	(0.7)	—	—	—	(0.7)
Recognition of stock-based compensation	—	—	6.7	—	—	—	—	6.7
Shares issued under compensation plans	1.1	1.7	9.7	—	—	—	—	11.4
Ownership changes relating to noncontrolling interests	—	—	5.7	—	—	—	(32.1)	(26.4)
Common stock purchases	(2.5)	—	—	—	(65.8)	—	—	(65.8)
Dividends declared to noncontrolling interests	—	—	—	—	—	—	(1.1)	(1.1)
Balance at March 31, 2019	234.2	247.0	1,431.6	241.3	(378.0)	(335.7)	73.4	1,279.6
Comprehensive income (loss):								
Net income	—	—	—	98.4	—	—	1.5	99.9
Net realized and unrealized loss on derivatives, net of tax benefit of \$2.7 million	—	—	—	—	—	(17.6)	—	(17.6)
Long-term employee benefit plans, net of tax benefit of \$0.4 million	—	—	—	—	—	0.4	—	0.4
Foreign currency translation, net of tax of \$0.0 million	—	—	—	—	—	(3.1)	2.2	(0.9)
Total comprehensive income (loss)	—	—	—	98.4	—	(20.3)	3.7	81.8
Correction to previous cumulative effect upon adoption of ASU 2014-09	—	—	—	(3.7)	—	—	—	(3.7)
Recognition of stock-based compensation	—	—	(1.4)	—	—	—	—	(1.4)
Shares issued under compensation plans	0.7	1.2	13.3	—	—	—	—	14.5
Ownership changes relating to noncontrolling interests	—	—	(1.7)	—	—	—	(22.5)	(24.2)
Common stock purchases	(1.6)	—	—	—	(39.5)	—	—	(39.5)
Balance at June 30, 2019	233.3	248.2	1,441.8	336.0	(417.5)	(356.0)	54.6	1,307.1
Comprehensive income (loss):								
Net income	—	—	—	65.5	—	—	0.9	66.4
Net realized and unrealized loss on derivatives, net of tax benefit of \$0.7 million	—	—	—	—	—	(3.9)	—	(3.9)
Long-term employee benefit plans, net of tax of \$0.2 million	—	—	—	—	—	0.3	—	0.3
Foreign currency translation, net of tax of \$0.0 million	—	—	—	—	—	(52.2)	(0.6)	(52.8)
Total comprehensive income (loss)	—	—	—	65.5	—	(55.8)	0.3	10.0
Recognition of stock-based compensation	—	—	4.2	—	—	—	—	4.2
Shares issued under compensation plans	1.3	1.4	17.9	—	—	—	—	19.3
Changes in ownership of noncontrolling interests	—	—	—	—	—	—	(0.5)	(0.5)
Dividends declared to noncontrolling interests	—	—	—	—	—	—	(0.4)	(0.4)
Balance at September 30, 2019	234.6	\$ 249.6	\$ 1,463.9	\$ 401.5	\$ (417.5)	\$ (411.8)	\$ 54.0	\$ 1,339.7

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

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

	Nine Months Ended September 30,	
	2020	2019
<b>Operating activities:</b>		
Net income	\$ 51.7	\$ 210.4
Adjustment to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	243.6	267.3
Amortization of deferred financing costs and original issue discount	6.8	6.7
Debt extinguishment and refinancing related costs	2.4	0.2
Deferred income taxes	(57.2)	(5.6)
Realized and unrealized foreign exchange losses, net	12.7	1.5
Stock-based compensation	15.9	9.5
Divestitures and impairment charges	3.5	3.4
Interest income on swaps designated as net investment hedges	(11.0)	(11.0)
Other non-cash, net	2.7	(3.5)
Changes in operating assets and liabilities:		
Trade accounts and notes receivable	(14.0)	(128.9)
Inventories	43.2	(4.0)
Prepaid expenses and other assets	(60.8)	(95.0)
Accounts payable	15.2	29.9
Other accrued liabilities	(40.9)	—
Other liabilities	17.1	8.9
Cash provided by operating activities	<u>230.9</u>	<u>289.8</u>
<b>Investing activities:</b>		
Acquisitions, net of cash acquired	—	(2.1)
Purchase of property, plant and equipment	(56.2)	(73.9)
Proceeds from sale of consolidated joint venture, net of cash divested	—	8.2
Interest proceeds on swaps designated as net investment hedges	11.0	11.0
Other investing activities, net	5.9	(2.2)
Cash used for investing activities	<u>(39.3)</u>	<u>(59.0)</u>
<b>Financing activities:</b>		
Proceeds from long-term borrowings	500.0	—
Payments on short-term borrowings	(23.2)	(29.5)
Payments on long-term borrowings	(325.3)	(20.0)
Financing-related costs	(8.4)	(1.5)
Purchases of common stock	(0.9)	(105.3)
Net cash flows associated with stock-based awards	0.3	46.0
Purchase of noncontrolling interests	(5.8)	(31.1)
Other financing activities, net	0.1	(3.6)
Cash provided by (used for) financing activities	<u>136.8</u>	<u>(145.0)</u>
Increase in cash	328.4	85.8
Effect of exchange rate changes on cash	(4.7)	(12.1)
Cash at beginning of period	1,020.5	696.4
Cash at end of period	<u>\$ 1,344.2</u>	<u>\$ 770.1</u>
<b>Cash at end of period reconciliation:</b>		
Cash and cash equivalents	\$ 1,341.3	\$ 767.2
Restricted cash	2.9	2.9
Cash at end of period	<u>\$ 1,344.2</u>	<u>\$ 770.1</u>

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



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

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

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

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, 2020 and December 31, 2019, the results of operations, comprehensive income (loss) and changes in shareholders' equity for the three and nine months ended September 30, 2020 and 2019, and 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, 2019. 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, 2020 are not necessarily indicative of the results to be expected for a full year.

**Summary of Significant Accounting Policies Updates**

***Reclassifications***

The condensed consolidated statements of operations for the three and nine months ended September 30, 2019 have been updated for comparability with the current year presentation to separately present other operating charges as detailed in our annual report on Form 10-K for the year ended December 31, 2019.

***Recently Adopted Accounting Guidance***

On January 1, 2020, we adopted Accounting Standards Update ("ASU") 2016-13, "Financial Instruments - Credit Losses" under a modified retrospective approach for all financial assets. ASU 2016-13 replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires considerations of a broader range of reasonable and supportable information to inform credit loss estimates. The provisions of this standard primarily impact the allowance for doubtful accounts on our trade receivables, in which we have applied historical loss percentages, combined with reasonable and supportable forecasts of future losses to the respective aging categories. Adoption of ASU 2016-13 at January 1, 2020 resulted in a one-time loss to retained earnings of \$1.5 million on our condensed consolidated balance sheets and statements of shareholders' equity for the nine months ended September 30, 2020.

In March 2020, we adopted ASU 2020-04, "Reference Rate Reform" which provides optional expedients exercisable through December 31, 2022 to ease the potential burden in accounting for the effects of reference rate reform on financial reporting. As of September 30, 2020, the expedients provided in this standard do not impact the Company. We will continue to monitor for potential impacts on our financial statements.

***Accounting Guidance Issued But Not Yet Adopted***

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

**Risks and Uncertainties**

In March 2020, the World Health Organization characterized the coronavirus ("COVID-19") a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. The rapid spread of the pandemic and the continuously evolving responses to combat it have had a negative impact on the global economy. In view of the rapidly changing business environment and heightened degree of uncertainty resulting from COVID-19, we are currently unable to fully determine its future impact on our business. However, we are monitoring the progression of the pandemic and its potential effect on our financial position, results of operations, and cash flows. The pandemic had a significant adverse impact on the Company's results of operations, financial condition and cash flows during 2020 and, over time, the effects could have a material adverse impact.

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

**(2) REVENUE**

Consideration for products in which control has transferred to our customers that is conditional on something other than the passage of time is recorded as a contract asset within prepaid expenses and other current assets on the balance sheet. The contract asset balances at September 30, 2020 and December 31, 2019 were \$38.5 million and \$37.5 million, respectively.

We provide certain customers with incremental up-front consideration, subject to clawback provisions, 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. At September 30, 2020 and December 31, 2019, the total carrying value of BIPs were \$170.7 million and \$191.2 million, respectively, and are presented within other assets on the condensed consolidated balance sheets. For the three and nine months ended September 30, 2020 and 2019, \$16.6 million, \$49.9 million, \$17.7 million and \$50.8 million, respectively, were amortized and reflected as reductions of net sales in the condensed consolidated statements of operations. The total carrying value of BIPs exclude other upfront incentives made in conjunction with long-term customer commitments of \$93.9 million and \$79.0 million at September 30, 2020 and December 31, 2019, respectively, which will be repaid in future periods.

See Note 16 for disaggregated net sales by end-market.

**(3) GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS**

**Goodwill**

The following table shows changes in the carrying amount of goodwill from December 31, 2019 to September 30, 2020 by reportable segment:

	Performance Coatings	Transportation Coatings	Total
Balance at December 31, 2019	\$ 1,130.9	\$ 78.0	\$ 1,208.9
Foreign currency translation	34.5	2.4	36.9
Balance at September 30, 2020	<u>\$ 1,165.4</u>	<u>\$ 80.4</u>	<u>\$ 1,245.8</u>

**Identifiable Intangible Assets**

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

September 30, 2020	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted Average Amortization Periods (years)
Technology	\$ 551.6	\$ (359.0)	\$ 192.6	10.4
Trademarks - indefinite-lived	273.1	—	273.1	Indefinite
Trademarks - definite-lived	100.7	(34.8)	65.9	16.0
Customer relationships	919.8	(307.6)	612.2	19.0
Other	15.2	(10.4)	4.8	5.0
Total	<u>\$ 1,860.4</u>	<u>\$ (711.8)</u>	<u>\$ 1,148.6</u>	

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

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

The estimated amortization expense related to the fair value of acquired intangible assets for the remainder of 2020 and each of the succeeding five years is:

Remainder of 2020	\$	28.5
2021		113.6
2022		111.4
2023		71.1
2024		66.2
2025		65.5

**(4) RESTRUCTURING**

On July 29, 2020, we announced a global restructuring of our business given the significant customer demand headwinds we are facing due to COVID-19 and to better position the Company for sustained growth. The global restructuring resulted in pretax charges of \$52.2 million for the nine months ended September 30, 2020, of which \$48.2 million primarily relates to employee severance associated with a net reduction to our workforce of approximately 600 employees globally, while the remaining \$4.0 million relates to accelerated depreciation, impairment of assets and other non-cash costs. The global restructuring is expected to result in total pretax charges of approximately \$60-65 million.

We also incurred incremental accelerated depreciation resulting from the previously announced closure of our manufacturing facility in Mechelen, Belgium for the three and nine months ended September 30, 2020 and 2019, of \$0.0 million, \$8.5 million, \$5.4 million and \$18.2 million, respectively, which was recorded to cost of goods sold in the condensed consolidated statements of operations.

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

During the three and nine months ended September 30, 2020 and 2019, we incurred restructuring costs of \$35.2 million, \$67.4 million, \$29.2 million and \$33.3 million, respectively. These amounts are recorded within other operating charges in the condensed consolidated statements of operations. The remaining payments associated with these actions are expected to be substantially completed within 24 months.

The following table summarizes the activities related to the restructuring reserves and expenses from December 31, 2019 to September 30, 2020:

	<b>2020 Activity</b>	
Balance at December 31, 2019	\$	78.0
Expenses, net of changes to estimates		67.4
Payments made		(68.5)
Foreign currency translation		2.6
Balance at September 30, 2020	\$	79.5

**(5) COMMITMENTS AND CONTINGENCIES**

***Guarantees***

We guarantee certain of our customers' obligations to third parties, whereby any default by our customers on their obligations could force us to make payments to the applicable creditors. At September 30, 2020 and December 31, 2019, we had outstanding bank guarantees of \$9.6 million and \$11.6 million, respectively. Most of our bank guarantees expire between 2020 and 2026, while others do not have specified expiration dates. We monitor the obligations to evaluate whether we have a liability at the balance sheet date. During the nine months ended September 30, 2020, we incurred and paid \$1.0 million related to our outstanding bank guarantees. We did not have any liabilities related to our outstanding bank guarantees recorded at September 30, 2020 and December 31, 2019.

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

**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 incurred by 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. The potential effects, if any, on our condensed consolidated financial statements will be recorded in the period in which these matters are probable and estimable. We believe that any sum we may be required to pay in connection with proceedings or claims in excess of the amounts recorded would likely not have a material adverse effect upon our results of operations, financial conditions or cash flows on a consolidated annual basis but could have a material adverse impact in a particular quarterly reporting period.

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

**(6) 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, 2020 and 2019:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Components of net periodic benefit cost:				
Net periodic benefit cost:				
Service cost	\$ 1.8	\$ 1.8	\$ 5.5	\$ 5.4
Interest cost	2.6	3.2	7.2	9.8
Expected return on plan assets	(3.2)	(3.4)	(9.5)	(10.4)
Amortization of actuarial loss, net	0.7	0.5	2.5	1.4
Plan curtailments, settlements and special termination benefits	(0.7)	—	(2.5)	—
Net periodic benefit cost	\$ 1.2	\$ 2.1	\$ 3.2	\$ 6.2

All non-service components of net periodic benefit cost are recorded in other expense (income), net within the accompanying condensed consolidated statements of operations.

**(7) STOCK-BASED COMPENSATION**

During the three and nine months ended September 30, 2020 and 2019, we recognized expenses of \$4.7 million, \$15.9 million, \$4.2 million and \$9.5 million, respectively, for stock-based compensation, which was allocated between costs of goods sold and selling, general and administrative expenses on the condensed consolidated statements of operations. The increase in expense during 2020 resulted primarily from forfeitures recognized during the nine months ended September 30, 2019. We recognized tax benefits of \$0.1 million, \$1.6 million, \$0.4 million and \$1.5 million for the three and nine months ended September 30, 2020 and 2019, respectively.

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

**2020 Activity**

In February 2020, we granted restricted stock units and performance share units to certain employees and directors. All awards were granted under the Company's Amended and Restated 2014 Incentive Award Plan. During 2020, the Company withheld shares and used cash to settle the employees' tax obligation from vesting of awards in the amount of \$1.1 million.

A summary of award activity by type for the nine months ended September 30, 2020 is presented below.

Stock Options	Awards (in millions)	Weighted- Average Exercise Price	Aggregate Intrinsic Value (in millions)	Weighted Average Remaining Contractual Life (years)
Outstanding at January 1, 2020	3.0	\$ 25.92		
Granted	—	\$ —		
Exercised	(0.1)	\$ 13.12		
Forfeited <sup>(1)</sup>	—	\$ 28.49		
Outstanding at September 30, 2020	<u>2.9</u>	<u>\$ 26.46</u>		
Vested and expected to vest at September 30, 2020	2.9	\$ 26.46	\$ 4.7	5.03
Exercisable at September 30, 2020	2.3	\$ 26.21	\$ 4.7	4.31

(1) Activity during the nine months ended September 30, 2020 rounds to zero.

Cash received by the Company upon exercise of options for the nine months ended September 30, 2020 was \$1.4 million. Excess tax benefits on these exercises were \$0.3 million.

At September 30, 2020, there is \$1.1 million of unrecognized expense relating to unvested stock options that is expected to be amortized over a weighted average period of 1.1 years.

Restricted Stock Awards and Restricted Stock Units	Awards/Units (millions)	Weighted-Average Fair Value
Outstanding at January 1, 2020	1.2	\$ 28.45
Granted	0.4	\$ 29.54
Vested	(0.5)	\$ 28.60
Forfeited	(0.1)	\$ 28.27
Outstanding at September 30, 2020	<u>1.0</u>	<u>\$ 28.89</u>

Tax shortfall expenses on the vesting of restricted stock awards and restricted stock units during the nine months ended September 30, 2020 was \$0.3 million.

At September 30, 2020, there is \$12.4 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 1.4 years.

Performance Stock Awards and Performance Share Units	Awards/Units (millions)	Weighted-Average Fair Value
Outstanding at January 1, 2020	0.5	\$ 32.11
Granted	0.4	\$ 31.88
Vested	(0.1)	\$ 38.11
Forfeited	(0.1)	\$ 32.90
Outstanding at September 30, 2020	<u>0.7</u>	<u>\$ 31.14</u>

Our performance stock awards and performance share units allow for participants to vest in more or less than the targeted number of shares granted. Some of our awards are currently performing better than targets, while others are performing worse than targets. We currently expect a total of 0.6 million shares with a weighted average fair value per share of \$30.51 to vest. At September 30, 2020, there is \$11.2 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 2.0 years. The forfeitures include performance stock awards and performance share units that vested below target.

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

**(8) OTHER EXPENSE (INCOME), NET**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Foreign exchange losses, net	\$ 5.5	\$ 0.7	\$ 7.5	\$ 5.3
Debt extinguishment and refinancing related costs	—	—	2.4	0.2
Other miscellaneous income, net	(3.2)	(2.6)	(9.0)	(9.3)
Total	\$ 2.3	\$ (1.9)	\$ 0.9	\$ (3.8)

**(9) INCOME TAXES**

Our effective income tax rates for the nine months ended September 30, 2020 and 2019 are as follows:

	Nine Months Ended September 30,	
	2020	2019
Effective Tax Rate	(78.3)%	19.3 %

The Company's effective tax rate for the periods reflected in the condensed consolidated financial statements are not directly comparable primarily due to the intra-entity asset transfers of certain of its intellectual property and the impacts of certain ongoing tax audits, which occurred during the nine months ended September 30, 2020 and are discussed in further detail below.

On January 1, 2020, we completed an intra-entity transfer of certain intellectual property rights (the "IP") to our Swiss subsidiary, where our EMEA regional headquarters is located. The transfer of the IP did not result in a taxable gain; however, it did result in step-up of the Swiss tax-deductible basis in the transferred assets and, accordingly, created a temporary difference between the book basis and the tax basis of the IP, which was transferred at fair value. We applied significant judgment when determining the fair value of the IP, which serves as the tax basis of the deferred tax asset. Consequently, this transaction resulted in the recognition of a deferred tax asset at the applicable Swiss tax rate, resulting in a one-time tax benefit of \$50.5 million during the nine months ended September 30, 2020. The Company expects to be able to realize the deferred tax assets resulting from these intra-entity asset transfers.

In connection with the income tax audit in Germany for the tax period 2010-2013, the Germany Tax Authority ("GTA") indicated that it believed that certain positions taken on the 2010-2013 corporate income tax returns were not in compliance with German tax law. While the Company believes our filings were accurate based on the technical merits of our positions, after extensive discussions with the GTA, in March 2020 the Company expressed a willingness to settle with the GTA on certain matters and expects to reach a formal agreement in the coming months. As a result of these changes, the Company recorded a charge to income tax expense of \$14.3 million during the nine months ended September 30, 2020. The Company is also currently under audit in Germany for tax years 2014-2017 and is prepared to vigorously defend itself on these matters.

**(10) NET INCOME PER COMMON SHARE**

Basic earnings 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 earnings 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 earnings per common share is as follows:

(In millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income to common shareholders	\$ 82.5	\$ 65.5	\$ 51.9	\$ 207.3
Basic weighted average shares outstanding	235.3	233.9	235.1	233.8
Diluted weighted average shares outstanding	236.0	235.5	235.9	235.8
Net income per common share:				
Basic net income per share	\$ 0.35	\$ 0.28	\$ 0.22	\$ 0.89
Diluted net income per share	\$ 0.35	\$ 0.28	\$ 0.22	\$ 0.88

The number of anti-dilutive shares that have been excluded in the computation of diluted earnings per share for the three and nine months ended September 30, 2020 and 2019 were 2.8 million, 2.9 million, 2.4 million and 2.8 million, respectively.

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

**(11) ACCOUNTS AND NOTES RECEIVABLE, NET**

Trade accounts receivable are stated at the amount we expect to collect. We maintain allowances for doubtful accounts for estimated losses by applying historical loss percentages, combined with reasonable and supportable forecasts of future losses, to respective aging categories. Management considers the following factors in developing its current estimate of expected credit losses: customer credit-worthiness, past transaction history with the customer, current economic industry trends, changes in market or regulatory matters, and changes in customer payment terms, including the impacts from COVID-19.

	September 30, 2020	December 31, 2019
Accounts receivable - trade, net <sup>(1)</sup>	\$ 715.9	\$ 718.4
Notes receivable	20.2	24.7
Other	88.1	87.0
Total	<u>\$ 824.2</u>	<u>\$ 830.1</u>

(1) Allowance for doubtful accounts was \$27.2 million and \$16.0 million at September 30, 2020 and December 31, 2019, respectively.

Bad debt expense of \$2.4 million, \$12.8 million, \$1.1 million and \$3.7 million was included within selling, general and administrative expenses for the three and nine months ended September 30, 2020 and 2019, respectively. The increase in expense for the nine months ended September 30, 2020, was as a result of the increased risk for future credit losses primarily related to the COVID-19 pandemic.

**(12) INVENTORIES**

	September 30, 2020	December 31, 2019
Finished products	\$ 299.5	\$ 327.4
Semi-finished products	90.9	109.9
Raw materials	125.7	133.7
Stores and supplies	20.6	20.6
Total	<u>\$ 536.7</u>	<u>\$ 591.6</u>

Inventory reserves were \$19.2 million and \$13.1 million at September 30, 2020 and December 31, 2019, respectively. The increase in our reserve at September 30, 2020, includes impacts from obsolescence due to a lower demand environment resulting from the COVID-19 pandemic.

**(13) PROPERTY, PLANT AND EQUIPMENT, NET**

	September 30, 2020	December 31, 2019
Property, plant and equipment	\$ 2,227.6	\$ 2,231.9
Accumulated depreciation	(1,062.4)	(1,008.9)
Property, plant, and equipment, net	<u>\$ 1,165.2</u>	<u>\$ 1,223.0</u>

Depreciation expense amounted to \$31.1 million, \$104.4 million, \$40.2 million and \$129.3 million for the three and nine months ended September 30, 2020 and 2019, respectively.



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

**(14) BORROWINGS**

Borrowings are summarized as follows:

	September 30, 2020	December 31, 2019
2024 Dollar Term Loans	\$ 2,069.3	\$ 2,387.5
2024 Dollar Senior Notes	500.0	500.0
2024 Euro Senior Notes	391.4	375.2
2025 Euro Senior Notes	525.8	504.0
2027 Dollar Senior Notes	500.0	—
Short-term and other borrowings	114.2	109.0
Unamortized original issue discount	(7.9)	(10.5)
Unamortized deferred financing costs	(33.2)	(31.1)
Total borrowings, net	<u>4,059.6</u>	<u>3,834.1</u>
Less:		
Short-term borrowings	24.4	19.6
Current portion of long-term borrowings	24.3	24.3
Long-term debt	<u>\$ 4,010.9</u>	<u>\$ 3,790.2</u>

*Revolving Credit Facility*

At September 30, 2020 and December 31, 2019, letters of credit issued under the Revolving Credit Facility totaled \$34.0 million and \$38.8 million, respectively, which reduced the availability under the Revolving Credit Facility. Availability under the Revolving Credit Facility was \$366.0 million and \$361.2 million at September 30, 2020 and December 31, 2019, respectively.

*Significant Transactions*

During January 2020, we voluntarily prepaid \$300.0 million of the outstanding principal on the 2024 Dollar Term Loans. As a result of the prepayment, we recorded a loss on extinguishment of debt of \$2.7 million consisting of the write off of unamortized deferred financing costs and original issue discounts of \$1.5 million and \$1.2 million, respectively.

*Issuance of 2027 Senior Notes*

During June 2020, Axalta Coating Systems, LLC and Axalta Coating Systems Dutch Holding B B.V. (collectively, the "Issuers"), each an indirect, wholly owned subsidiary of the Company, issued \$500.0 million in aggregate principal amount of 4.750% Senior Notes due 2027 (the "2027 Senior Notes").

The 2027 Senior Notes are fully and unconditionally guaranteed by the Company and each of the Company's existing restricted subsidiaries, subject to certain exceptions.

The indenture governing the 2027 Senior Notes contains covenants that limit the Company's (and its subsidiaries') ability to, among other things: (i) incur additional debt or issue certain preferred stock; (ii) pay dividends, redeem stock or make other distributions; (iii) make other restricted payments or investments; (iv) create liens on assets; (v) transfer or sell assets; (vi) create restrictions on payment of dividends or other amounts by the Company to the Company's restricted subsidiaries; (vii) engage in mergers or consolidations; (viii) engage in certain transactions with affiliates; and (ix) designate the Company's subsidiaries as unrestricted subsidiaries.

The 2027 Senior Notes were issued at par and are due June 15, 2027. We deferred debt issuance costs of \$8.3 million, which are recorded as reductions to long-term borrowings in the condensed consolidated balance sheets and amortized over the life of the issuance. The 2027 Senior Notes bear interest at 4.750% which is payable semi-annually on June 15<sup>th</sup> and December 15<sup>th</sup>. We have the option to redeem all or part of the 2027 Senior Notes at the following redemption prices (expressed as percentages of principal amount), plus accrued and unpaid interest, if any, on or after June 15<sup>th</sup> of the years indicated:

Period	2027 Senior Notes Percentage
2023	102.375 %
2024	101.188 %
2025 and thereafter	100.000 %

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

Notwithstanding the foregoing, at any time and from time to time prior to June 15, 2023, we may at our option redeem in the aggregate up to 40% of the original aggregate principal amount of the 2027 Senior Notes with the net cash proceeds of one or more Equity Offerings (as defined in the indenture governing the 2027 Senior Notes) at a redemption price of 104.75% 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 2027 Senior Notes have the right to require us to repurchase all or any part of the 2027 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 indebtedness under the 2027 Senior Notes is senior unsecured indebtedness of the Issuers, is senior in right of payment to all future subordinated indebtedness of the Issuers and guarantors, and is equal in right of payment to all existing and future senior indebtedness of the Issuers and guarantors. The 2027 Senior Notes are effectively subordinated to any secured indebtedness of the Issuers 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, 2020.

Remainder of 2020	\$	17.8
2021		36.8
2022		54.2
2023		27.2
2024		2,884.7
Thereafter		1,080.0
Total borrowings		<u>4,100.7</u>
Unamortized original issue discount		(7.9)
Unamortized deferred financing costs		(33.2)
Total borrowings, net	\$	<u><u>4,059.6</u></u>

**(15) FINANCIAL INSTRUMENTS, HEDGING ACTIVITIES AND FAIR VALUE MEASUREMENTS**

***Fair value of financial instruments***

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

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

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

**Notes to 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, 2020 and December 31, 2019.

	September 30, 2020				December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets:</b>								
Prepaid expenses and other current assets:								
Cross-currency swaps <sup>(2)</sup>	\$ —	\$ 14.3	\$ —	\$ 14.3	\$ —	\$ 14.4	\$ —	\$ 14.4
Foreign currency forward contracts <sup>(1)</sup>	—	0.1	—	0.1	—	—	—	—
Other assets:								
Cross-currency swaps <sup>(2)</sup>	—	—	—	—	—	8.0	—	8.0
Investments in equity securities	0.7	—	—	0.7	0.6	—	—	0.6
<b>Liabilities:</b>								
Other accrued liabilities:								
Interest rate caps <sup>(1)</sup>	—	2.0	—	2.0	—	1.3	—	1.3
Interest rate swaps <sup>(1)</sup>	—	28.6	—	28.6	—	8.9	—	8.9
Other liabilities:								
Interest rate caps <sup>(1)</sup>	—	0.5	—	0.5	—	1.2	—	1.2
Interest rate swaps <sup>(1)</sup>	—	37.3	—	37.3	—	20.5	—	20.5
Cross-currency swaps <sup>(2)</sup>	—	0.4	—	0.4	—	—	—	—
Long-term borrowings:								
2024 Dollar Term Loans	—	2,033.7	—	2,033.7	—	2,396.5	—	2,396.5
2024 Dollar Senior Notes	—	512.6	—	512.6	—	520.2	—	520.2
2024 Euro Senior Notes	—	395.8	—	395.8	—	388.2	—	388.2
2025 Euro Senior Notes	—	529.7	—	529.7	—	520.7	—	520.7
2027 Dollar Senior Notes	—	515.7	—	515.7	—	—	—	—

(1) Cash flow hedge

(2) Net investment hedge

### Derivative Financial Instruments

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

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

##### *Interest Rate Swaps Designated as Cash Flow Hedges*

During the three months ended March 31, 2020, we entered into two interest rate swaps with aggregate notional amounts totaling \$400.0 million to hedge interest rate exposures associated with the 2024 Dollar Term Loans. Under the terms of the interest rate swap agreements, the Company is required to pay the counterparties a stream of fixed interest payments at rates of 1.61% and 1.18% on \$200.0 million of notional value for each instrument, and in-turn, receives variable interest payments based on 3-month LIBOR from the counter-parties. The interest rate swaps are designated as cash flow hedges and expire on December 31, 2022. These interest rate swaps are marked to market at each reporting date and any unrealized gains or losses are included in accumulated other comprehensive loss ("AOCI") and reclassified to interest expense in the same period or periods during which the hedged transactions affect earnings.

##### *Foreign Currency Forward Contracts Designated as Cash Flow Hedges*

During the three months ended March 31, 2020, we designated foreign currency forward contracts with a notional value of \$5.0 million as cash flow hedges of the Company's exposure to variability in exchange rates on forecasted purchases of inventory denominated in foreign currencies. These forward currency contracts are marked to market at each reporting date and any unrealized gains or losses are included in AOCI and reclassified to cost of goods sold in the same period or periods during which the hedged transactions affect earnings.

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

The following table presents the gains (losses) included in AOCI for derivative instruments that qualify and have been designated as cash flow and net investment hedges:

	September 30, 2020	December 31, 2019
<b>AOCI:</b>		
Interest rate caps (cash flow hedges)	\$ 3.2	\$ 3.5
Interest rate swaps (cash flow hedges)	65.9	29.4
Foreign currency forward contracts (cash flow hedges)	0.1	—
Cross-currency swaps (net investment hedges)	(13.9)	(22.4)
Total AOCI	<u>\$ 55.3</u>	<u>\$ 10.5</u>

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

The following tables set forth the locations and amounts recognized during the three and nine months ended September 30, 2020 and 2019 for these cash flow and net investment hedges.

Derivatives in Cash Flow and Net Investment Hedges	Location of Loss Recognized in Income on Derivatives	For the Three Months Ended September 30,			
		2020		2019	
		Net Amount of Loss Recognized in OCI on Derivatives	Amount of Loss (Gain) Recognized in Income	Net Amount of Loss (Gain) Recognized in OCI on Derivatives	Amount of (Gain) Loss Recognized in Income
Interest rate caps	Interest expense, net	\$ 0.1	\$ 0.6	\$ 0.3	\$ 0.1
Interest rate swaps	Interest expense, net	0.4	7.0	4.8	0.4
Foreign currency forward contracts	Cost of goods sold	0.1	—	—	—
Cross-currency swaps	Interest expense, net	16.9	(3.6)	(24.2)	(3.8)

Derivatives in Cash Flow and Net Investment Hedges	Location of Loss (Gain) Recognized in Income on Derivatives	For the Nine Months Ended September 30,			
		2020		2019	
		Net Amount of Loss (Gain) Recognized in OCI on Derivatives	Amount of Loss (Gain) Recognized in Income	Net Amount of Loss (Gain) Recognized in OCI on Derivatives	Amount of (Gain) Loss Recognized in Income
Interest rate caps	Interest expense, net	\$ 1.2	\$ 1.5	\$ 6.2	\$ (1.5)
Interest rate swaps	Interest expense, net	48.0	11.5	32.4	0.5
Foreign currency forward contracts	Cost of goods sold	0.1	—	—	—
Cross-currency swaps	Interest expense, net	(2.5)	(11.0)	(39.1)	(11.0)

Over the next 12 months, we expect losses of \$32.5 million pertaining to cash flow hedges to be reclassified from AOCI into earnings, related to our interest rate caps, interest rate swaps, and foreign currency forward contracts.

**Derivative Instruments Not Designated as 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 (income), net in the condensed consolidated statement of operations.

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

Derivatives Not Designated as Hedging Instruments under ASC 815	Location of Loss (Gain) Recognized in Income on Derivatives	Three Months Ended September 30,		Nine Months Ended September 30,	
		2020	2019	2020	2019
Foreign currency forward contracts	Other income, net	\$ (4.4)	\$ 2.3	\$ (5.3)	\$ 4.1

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

**(16) 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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales <sup>(1)</sup> :				
Refinish	\$ 401.7	\$ 441.5	\$ 1,031.4	\$ 1,294.3
Industrial	281.0	282.2	781.1	899.4
Total Net sales Performance Coatings	682.7	723.7	1,812.5	2,193.7
Light Vehicle	276.3	295.7	662.7	917.7
Commercial Vehicle	67.9	87.6	187.9	272.4
Total Net sales Transportation Coatings	344.2	383.3	850.6	1,190.1
Total Net sales	<u>\$ 1,026.9</u>	<u>\$ 1,107.0</u>	<u>\$ 2,663.1</u>	<u>\$ 3,383.8</u>
Equity in earnings in unconsolidated affiliates:				
Performance Coatings	\$ 0.1	\$ 0.2	\$ 0.1	\$ 0.4
Transportation Coatings	(0.2)	(0.1)	(0.3)	(0.1)
Total	<u>\$ (0.1)</u>	<u>\$ 0.1</u>	<u>\$ (0.2)</u>	<u>\$ 0.3</u>
Investment in unconsolidated affiliates:			<b>September 30,</b>	<b>December 31,</b>
Performance Coatings			<b>2020</b>	<b>2019</b>
Transportation Coatings			\$ 2.1	\$ 2.4
Total			<u>\$ 10.3</u>	<u>\$ 15.1</u>

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Segment Adjusted EBIT <sup>(1)</sup> :				
Performance Coatings	\$ 133.9	\$ 124.9	\$ 214.8	\$ 331.1
Transportation Coatings	48.5	37.2	35.0	111.8
Total <sup>(2)</sup>	182.4	162.1	249.8	442.9
Interest expense, net	39.8	40.2	112.4	122.5
Debt extinguishment and refinancing related costs <sup>(a)</sup>	—	—	2.4	0.2
Termination benefits and other employee related costs <sup>(b)</sup>	35.7	29.2	70.4	33.3
Strategic review and retention costs <sup>(c)</sup>	6.9	3.0	25.1	3.8
Offering and transactional costs <sup>(d)</sup>	0.1	0.1	0.3	0.9
Loss (gain) on divestiture and impairments <sup>(e)</sup>	0.3	(0.5)	3.5	3.4
Pension special events <sup>(f)</sup>	(0.7)	—	(2.5)	—
Accelerated depreciation <sup>(g)</sup>	0.4	5.4	8.9	18.2
Indemnity loss (income) <sup>(h)</sup>	0.3	—	0.3	(0.2)
Income before income taxes	<u>\$ 99.6</u>	<u>\$ 84.7</u>	<u>\$ 29.0</u>	<u>\$ 260.8</u>

(1) The primary measure of segment operating performance is Adjusted EBIT, which is defined as net income before interest, taxes and select other items impacting operating results. These other items impacting operating results are items that management has concluded are (1) non-cash items included within net income, (2) items the Company does not believe are indicative of ongoing operating performance or (3) non-recurring, unusual or infrequent items that have not occurred within the last two years or we believe are not reasonably likely to recur within the next two years. Adjusted EBIT is a key metric that is used by management to evaluate business performance in comparison to budgets, forecasts and prior year financial results, providing a measure that management believes reflects the Company's core operating performance, which represents Adjusted EBIT adjusted for the select items referred to above.

(2) Does not represent Axalta's Adjusted EBIT referenced elsewhere by the Company as there are additional adjustments that are not allocated to the segments.

(a) Represents expenses and associated changes to estimates related to the prepayment, restructuring, and refinancing of our indebtedness, which are not considered indicative of our ongoing operating performance.

(b) Represents expenses and associated changes to estimates related to employee termination benefits and other employee-related costs. Employee termination benefits are primarily associated with Axalta Way initiatives. These amounts are not considered indicative of our ongoing operating performance.

(c) Represents costs for legal, tax and other advisory fees pertaining to our review of strategic alternatives that was concluded in March 2020, as well as retention awards for certain employees which will be earned over a period of 18-24 months. These amounts are not considered indicative of our ongoing operating performance.

(d) Represents acquisition and divestiture-related expenses, all of which are not considered indicative of our ongoing operating performance.

(e) Represents expenses and associated changes to estimates related to the sale of our interest in a joint venture business and other impairments, which are not considered indicative of our ongoing operating performance.

(f) Represents certain defined benefit pension costs associated with special events, including pension curtailments, settlements and special termination benefits, which we do not consider indicative of our ongoing operating performance.

(g) Represents incremental depreciation expense resulting from truncated useful lives of the assets impacted by our manufacturing footprint assessments, which we do not consider indicative of our ongoing operating performance.

(h) Represents indemnity loss (income) associated with the acquisition by Axalta of the DuPont Performance Coatings business, which we do not consider indicative of our ongoing operating performance.

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

**(17) ACCUMULATED OTHER COMPREHENSIVE LOSS**

	Unrealized Currency Translation Adjustments	Pension Adjustments	Unrealized (Loss) Gain on Derivatives	Accumulated Other Comprehensive (Loss) Income
Balance at December 31, 2019	\$ (297.0)	\$ (69.9)	\$ (28.6)	\$ (395.5)
Current year deferrals to AOCI	(83.3)	—	(36.3)	(119.6)
Reclassifications from AOCI to Net income	—	(0.4)	1.6	1.2
Net Change	(83.3)	(0.4)	(34.7)	(118.4)
Balance at March 31, 2020	(380.3)	(70.3)	(63.3)	(513.9)
Current year deferrals to AOCI	6.1	—	(5.2)	0.9
Reclassifications from AOCI to Net income	—	0.4	3.0	3.4
Net Change	6.1	0.4	(2.2)	4.3
Balance at June 30, 2020	(374.2)	(69.9)	(65.5)	(509.6)
Current year deferrals to AOCI	33.9	(0.2)	(0.5)	33.2
Reclassifications from AOCI to Net income	—	(0.3)	6.5	6.2
Net Change	33.9	(0.5)	6.0	39.4
Balance at September 30, 2020	\$ (340.3)	\$ (70.4)	\$ (59.5)	\$ (470.2)

Included within reclassifications from AOCI to net income for the three and nine months ended September 30, 2020 were net curtailment and settlement impacts of \$1.3 million and \$3.1 million, respectively. The cumulative income tax benefit related to the adjustments for pension benefits at September 30, 2020 was \$27.0 million. The cumulative income tax benefit related to the adjustments for unrealized loss on derivatives at September 30, 2020 was \$9.7 million.

	Unrealized Currency Translation Adjustments	Pension Adjustments	Unrealized Gain (Loss) on Derivatives	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2018	\$ (299.4)	\$ (36.4)	\$ (0.3)	\$ (336.1)
Current year deferrals to AOCI	12.8	—	(11.4)	1.4
Reclassifications from AOCI to Net income	—	—	(1.0)	(1.0)
Net Change	12.8	—	(12.4)	0.4
Balance at March 31, 2019	(286.6)	(36.4)	(12.7)	(335.7)
Current year deferrals to AOCI	(5.7)	(0.1)	(17.3)	(23.1)
Reclassifications from AOCI to Net income	2.6	0.5	(0.3)	2.8
Net Change	(3.1)	0.4	(17.6)	(20.3)
Balance at June 30, 2019	(289.7)	(36.0)	(30.3)	(356.0)
Current year deferrals to AOCI	(52.2)	—	(4.4)	(56.6)
Reclassifications from AOCI to Net income	—	0.3	0.5	0.8
Net Change	(52.2)	0.3	(3.9)	(55.8)
Balance at September 30, 2019	\$ (341.9)	\$ (35.7)	\$ (34.2)	\$ (411.8)

The cumulative income tax benefit related to the adjustments for pension benefits at September 30, 2019 was \$14.1 million. The cumulative income tax benefit related to the adjustments for unrealized loss on derivatives at September 30, 2019 was \$5.1 million.

## 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, 2019.*

### FORWARD-LOOKING STATEMENTS

Many statements made in the following discussion and analysis of our financial condition and results of operations and elsewhere in this 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 "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 as a result of global coronavirus pandemic ("COVID-19") or otherwise;
- the duration and spread of COVID-19 outbreak; its severity; actions taken to contain the virus, including government actions to mitigate the economic impact of the outbreak; how quickly and to what extent normal economic and operating conditions can resume; how quickly and to what extent our customers and counterparties can recover from the negative impacts of the outbreak; and the effects, and unpredictability resulting from, recurring containment and mitigation actions;
- volatility in the capital, credit and commodities markets;
- our inability to successfully execute on our growth strategy and our cost savings initiatives, including restructurings;
- increased competition;
- reduced demand for some of our products as a result of improved safety features on vehicles, insurance company influence, new business models or new methods of travel
- risks of the loss or change in purchasing levels of any of our significant customers or the consolidation of MSOs, distributors and/or body shops;
- our reliance on our distributor network and third-party delivery services for the distribution and export of certain of our products;
- credit risk exposure from our customers;
- price increases or business interruptions in our supply of raw materials;
- failure to develop and market new products and manage product life cycles;
- business disruptions, security threats and security breaches, including security risks to our information technology systems;
- risks associated with our outsourcing strategies;
- risks associated with our non-U.S. operations;
- currency-related risks;
- terrorist acts, conflicts, wars, natural disasters, pandemics, and other health crises that may materially adversely affect our business, financial condition and results of operations;
- risks associated with the United Kingdom's withdrawal from the European Union;
- failure to comply with the anti-corruption laws of the United States and various international jurisdictions;
- failure to comply with anti-terrorism laws and regulations and applicable trade embargoes;



- risks associated with protecting data privacy;
- significant environmental liabilities and costs as a result of our current and past operations or products, including operations or products related to our business prior to our acquisition of DuPont Performance Coatings;
- transporting certain materials that are inherently hazardous due to their toxic nature;
- litigation and other commitments and contingencies;
- ability to recruit and retain the experienced and skilled personnel we need to compete;
- unexpected liabilities under any pension plans applicable to our employees;
- work stoppages, union negotiations, labor disputes and other matters associated with our labor force;
- our ability to protect and enforce intellectual property rights;
- intellectual property infringement suits against us by third parties;
- our ability to realize the anticipated benefits of any acquisitions and divestitures;
- our joint ventures' ability to operate according to our business strategy should our joint venture partners fail to fulfill their obligations;
- risk that the insurance we maintain may not fully cover all potential exposures;
- risks associated with changes in tax rates, laws or regulations, or the interpretation or application of tax laws and regulations, including unexpected impacts of the new U.S. TCJA legislation, which may differ with further regulatory guidance and changes in our current interpretations and assumptions;
- our substantial indebtedness;
- our ability to obtain additional capital on commercially reasonable terms may be limited;
- any statements of belief and any statements of assumptions underlying any of the foregoing;
- other factors disclosed in this Quarterly Report on Form 10-Q, our Annual Report on Form 10-K for the year ended December 31, 2019 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 46 manufacturing facilities, four technology centers, 53 customer training centers and approximately 13,000 people allows us to meet the needs of customers in over 130 countries. We serve our customer base through an extensive sales force and technical support organization, as well as through approximately 4,000 independent, locally based distributors.

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

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

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

## BUSINESS HIGHLIGHTS

### General Business Highlights

Our net sales decreased 21.3% for the nine months ended September 30, 2020 compared with the nine months ended September 30, 2019, primarily driven by a decrease in volumes of 19.6% as a result of decreased demand largely due to COVID-19 impacts. The decrease in volumes is inclusive of negative impacts of portfolio changes of 0.8% associated with the prior year sale of a consolidated joint venture. Further contributing to the decrease was mostly stable but slightly lower average selling price and product mix, as well as impacts of unfavorable currency translation of 1.6%. The following trends have impacted our segment and end-market net sales performance:

- *Performance Coatings*: Net sales decreased 17.4% driven primarily by a decrease in volumes of 15.4% as a result of decreased demand largely due to COVID-19 across both end-markets, inclusive of the negative net impacts of portfolio changes of 1.3% associated with the 2019 sale of our consolidated powder joint venture in China. Furthering the decrease during the period were the impacts of unfavorable foreign currency translation of 1.1%, as well as a 0.9% decrease from lower average selling prices and product mix resulting primarily from a change in product mix in the refinish end-market.
- *Transportation Coatings*: Net sales decreased 28.5% driven primarily by a decrease in volumes of 27.3% as a result of customer shutdowns caused by COVID-19, as well as the impacts of unfavorable foreign currency translation of 2.7%. Partially offsetting the decline in volumes and foreign currency headwinds during the period was an increase of 1.5% from increased average selling prices and product mix across both end-markets and all regions.

Our business serves four end-markets globally with net sales for the three and nine months ended September 30, 2020 and 2019, as follows:

(In millions)	Three Months Ended September 30,		2020 vs 2019	Nine Months Ended September 30,		2020 vs 2019
	2020	2019	% change	2020	2019	% change
<b>Performance Coatings</b>						
Refinish	\$ 401.7	\$ 441.5	(9.0)%	\$ 1,031.4	\$ 1,294.3	(20.3)%
Industrial	281.0	282.2	(0.4)%	781.1	899.4	(13.2)%
Total Net sales Performance Coatings	682.7	723.7	(5.7)%	1,812.5	2,193.7	(17.4)%
<b>Transportation Coatings</b>						
Light Vehicle	276.3	295.7	(6.6)%	662.7	917.7	(27.8)%
Commercial Vehicle	67.9	87.6	(22.5)%	187.9	272.4	(31.0)%
Total Net sales Transportation Coatings	344.2	383.3	(10.2)%	850.6	1,190.1	(28.5)%
Total Net sales	\$ 1,026.9	\$ 1,107.0	(7.2)%	\$ 2,663.1	\$ 3,383.8	(21.3)%

### Coronavirus (COVID-19) Pandemic

During the nine months ended September 30, 2020, the COVID-19 pandemic had a significant adverse impact on the demand for our products and, thus, our income from operations. These impacts have been felt globally, however, we have seen improvements as countries began reopening. We have taken action to both plan for and address the near-term impact commensurate with the decline in demand in certain areas of our business. The focus has been on dynamically adjusting our cost structure as needed and our results already include benefits from actions taken to reduce discretionary spending across the organization which has been aided by our highly variable cost structure. We saw sequential improvements quarter over quarter; however, if the global pandemic continues or evolves into an even more prolonged health crisis, or there are new shutdowns or restrictions put in place, the effects could have a material adverse impact on our future results of operations, financial condition and cash flows.

Consistent with the actions taken or recommended by governmental authorities, we elected to shut down certain manufacturing operations in regions around the world for periods of time, but mostly focused in April and May 2020. All of our manufacturing sites are currently open, and the timing of re-opening was phased and in-line with the return of customer demand. At each of our sites, we have taken steps to enhance safety standards in place to protect workers. While the periods of reduced production levels did not create a significant adverse impact on our results of operations for the three months ended September 30, 2020, it did create a significant adverse impact on our results of operations for the nine months ended September 30, 2020. Any future disruption to our production levels could have a material adverse effect on our financial condition, liquidity, and results of operations.

We are actively monitoring and managing supply chain challenges, including logistics, but thus far, there have been no significant disruptions. Our supply chain team is coordinating with our suppliers to identify and mitigate potential areas of risk and manage inventories. Further, we are actively monitoring our customers' credit worthiness, and while there has been an increase in credit risk levels, at this point we are not aware of any material changes to our customers' ability to settle outstanding receivables.

A significant portion of our non-operations focused workforce continues to work remotely while we monitor COVID-19 and adhere to government guidelines for safe operation. We expect to continue to be able to meet our customers' needs while ensuring the safety of our employees, customers and communities.

We remain committed to our Axalta Way cost savings and the global restructuring initiatives announced in July 2020 and we expect to meet our full year 2020 savings goals. In addition, during the quarter, we were able to reduce operating costs by approximately \$50 million and achieve incremental cash flows of approximately \$60 million from COVID-19 related cost and cash flow actions.

From a liquidity standpoint, we have \$1,341.3 million of cash and cash equivalents and \$366.0 million of available borrowing capacity under our Senior Secured Credit Facilities. We have no outstanding borrowing on the Revolving Credit Facility and, therefore, are not currently subject to any financial covenants under the Senior Secured Credit Facility.

*Capital and Liquidity Highlights*

During January 2020, we voluntarily prepaid \$300.0 million of the outstanding principal on the 2024 Dollar Term Loans.

During June 2020, we issued \$500.0 million in aggregate principal amount of 4.750% Senior Notes due 2027, with the proceeds to be used for general corporate purposes and to pay related transaction costs and expenses.

See Note 14 to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information.

*Strategic Review*

On March 31, 2020, we announced that our Board of Directors concluded that the previously announced review of strategic alternatives was complete and that the ongoing execution of our strategic plan is the best alternative to maximize value for Axalta's shareholders.

**FACTORS AFFECTING OUR OPERATING RESULTS**

Except as described in "Risk Factors" below, 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, 2019 other than the impact of COVID-19 as discussed herein.

**RESULTS OF OPERATIONS**

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

*Net sales*

	Three Months Ended September 30,		2020 vs 2019		Nine Months Ended September 30,		2020 vs 2019	
	2020	2019	\$ Change	% Change	2020	2019	\$ Change	% Change
Net sales	\$ 1,026.9	\$ 1,107.0	\$ (80.1)	(7.2)%	\$ 2,663.1	\$ 3,383.8	\$ (720.7)	(21.3)%
Volume effect				(6.0)%				(18.8)%
Impact of portfolio changes				0.1 %				(0.8)%
Price/product mix effect				(1.4)%				(0.1)%
Exchange rate effect				0.1 %				(1.6)%

*Three months ended September 30, 2020 compared to the three months ended September 30, 2019*

Net sales decreased due to the following:

- Lower sales volumes across both segments and all regions driven by significantly reduced global automotive production, lower vehicle miles driven and accelerated industrial slowdown primarily as a result of COVID-19 impacts, as well as previously anticipated muted industrial trends and declines in light and commercial vehicle builds
- Lower average selling prices and product mix resulting primarily from a change in product mix in refinish, partially offset by an increase in commercial vehicle

Partially offset by:

- Favorable impacts of currency translation, due primarily to the strengthening of the Euro and Chinese Renminbi compared to the U.S. dollar

*Nine months ended September 30, 2020 compared to the nine months ended September 30, 2019*

Net sales decreased due to the following:

- Lower sales volumes across both segments and all regions driven by significantly reduced global automotive production, lower vehicle miles driven and accelerated industrial slowdown primarily as a result of COVID-19 impacts, as well as previously anticipated muted industrial trends and declines in light and commercial vehicle builds
- Unfavorable impacts of currency translation, due primarily to the weakening of the Euro, Chinese Renminbi, Brazilian Real, and Mexican Peso compared to the U.S. dollar
- Negative impacts as a result of portfolio changes resulting from the sale of our consolidated joint venture interests within our Performance Coatings segment during the second quarter of 2019
- Lower average selling prices and product mix resulting primarily from a change in product mix in refinish, mostly offset by an increase across both end-markets and all regions within the Transportation Coatings segment, primarily within light vehicle

**Cost of sales**

	Three Months Ended September 30,		2020 vs 2019		Nine Months Ended September 30,		2020 vs 2019	
	2020	2019	\$ Change	% Change	2020	2019	\$ Change	% Change
Cost of sales	\$ 634.1	\$ 707.4	\$ (73.3)	(10.4)%	\$ 1,780.1	\$ 2,207.1	\$ (427.0)	(19.3)%
% of net sales	61.7 %	63.9 %			66.8 %	65.2 %		

*Three months ended September 30, 2020 compared to the three months ended September 30, 2019*

Cost of sales decreased due to the following:

- Lower sales volumes across both segments and all regions
- Decline in depreciation expense for operating equipment
- Decreased variable input costs across both segments
- Reduction in costs due to operational efficiencies associated with our cost savings initiatives, including decreased compensation related expenses associated with COVID-19 related cost reduction actions

Partially offset by:

- Unfavorable impacts of currency translation of 0.5%, due primarily to the strengthening of the Euro and Chinese Renminbi compared to the U.S. dollar

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

- Decreases associated with lower variable input costs and operational efficiencies associated with cost savings initiatives, including decreased compensation related expenses associated with COVID-19 related cost reduction actions

Partially offset by:

- Decreased net sales from price and product mix, primarily resulting from impacts of product mix sold in refinish

*Nine months ended September 30, 2020 compared to the nine months ended September 30, 2019*

Cost of sales decreased due to the following:

- Lower sales volumes across both segments and all regions
- Lower costs as a result of portfolio changes resulting from the sale of our consolidated joint venture interests within our Performance Coatings segment during the second quarter of 2019
- Decline in depreciation expense for operating equipment
- Decreased variable input costs across both segments and all regions
- Reduction in costs due to operational efficiencies associated with our cost savings initiatives, including decreased compensation related expenses associated with COVID-19 related cost reduction actions

Partially offset by:

- Increased expenses associated with reduced utilization at certain manufacturing sites and increased inventory reserves
- Unfavorable impacts of currency translation, due primarily to the weakening of the Euro, Chinese Renminbi, Brazilian Real, and Mexican Peso compared to the U.S. dollar

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

- Lower sales volume covering fixed costs, including impacts of reduced utilization at certain manufacturing sites and increased inventory reserves

Partially offset by:

- Decreases associated with variable cost savings and operational efficiencies associated with cost savings initiatives, including decreased compensation related expenses associated with COVID-19 related cost reduction actions

***Selling, general and administrative expenses***

	Three Months Ended September 30,		2020 vs 2019		Nine Months Ended September 30,		2020 vs 2019	
	2020	2019	\$ Change	% Change	2020	2019	\$ Change	% Change
SG&A	\$ 166.5	\$ 199.2	\$ (32.7)	(16.4)%	\$ 516.1	\$ 617.2	\$ (101.1)	(16.4)%

*Three months ended September 30, 2020 compared to the three months ended September 30, 2019*

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

- Reduction in costs due to operational efficiencies associated with our cost savings initiatives, including decreased compensation-related expenses associated with COVID-19 related cost reduction actions
- Decline in commissions and sales incentive compensation driven by decrease in net sales

Partially offset by:

- Unfavorable impacts of currency translation of 1.0%, due primarily to the strengthening of the Euro and Chinese Renminbi compared to the U.S. dollar

*Nine months ended September 30, 2020 compared to the nine months ended September 30, 2019*

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

- Reduction in costs due to operational efficiencies associated with our cost savings initiatives, including decreased compensation-related expenses associated with COVID-19 related cost reduction actions
- Decline in commissions and sales incentive compensation driven by decrease in net sales
- Lower costs as a result of portfolio changes resulting from the sale of our consolidated joint venture interests within our Performance Coatings segment during the second quarter of 2019
- Favorable impacts of currency translation of 2.1%, due primarily to the weakening of the Euro, Chinese Renminbi, and Brazilian Real compared to the U.S. dollar

Partially offset by:

- Increased reserves for trade receivables of \$9.1 million to \$12.8 million from \$3.7 million in the prior year
- Increased stock-based compensation expenses of \$6.4 million, primarily due to forfeitures in the prior year

**Other operating charges**

	Three Months Ended September 30,		2020 vs 2019		Nine Months Ended September 30,		2020 vs 2019	
	2020	2019	\$ Change	% Change	2020	2019	\$ Change	% Change
Other operating charges	\$ 42.6	\$ 31.8	\$ 10.8	34.0 %	\$ 98.9	\$ 41.4	\$ 57.5	138.9 %

Three months ended September 30, 2020 compared to the three months ended September 30, 2019

Other operating charges increased due to the following:

- Increase in termination benefits and other employee related costs associated with our cost savings initiatives of \$6.5 million from \$29.2 million in the prior year to \$35.7 million in the current year
- Increased expenses of \$3.9 million associated with the review of strategic alternatives that was concluded in March 2020 as discussed above within "Business Highlights - Strategic Review" and retention costs from \$3.0 million in the prior year to \$6.9 million in the current year

Nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

Other operating charges increased due to the following:

- Increase in termination benefits and other employee related costs associated with our cost saving initiatives of \$37.1 million from \$33.3 million in the prior year to \$70.4 million in the current year
- Increased expenses of \$21.3 million associated with the review of strategic alternatives that was concluded in March 2020 as discussed above within "Business Highlights - Strategic Review" and retention costs from \$3.8 million in the prior year to \$25.1 million in the current year

**Research and development expenses**

	Three Months Ended September 30,		2020 vs 2019		Nine Months Ended September 30,		2020 vs 2019	
	2020	2019	\$ Change	% Change	2020	2019	\$ Change	% Change
Research and development expenses	\$ 13.4	\$ 17.4	\$ (4.0)	(23.0)%	\$ 41.2	\$ 53.5	\$ (12.3)	(23.0)%

Three months ended September 30, 2020 compared to the three months ended September 30, 2019

Research and development expenses decreased due to the following:

- Decrease in operating expenses as a result of operational efficiencies associated with cost savings initiatives, as well as decreased compensation-related expenses associated with COVID-19 related cost reduction actions

Partially offset by:

- Unfavorable impacts of currency translation, which increased expenses by 0.3%, due primarily to the strengthening of the Euro and Chinese Renminbi compared to the U.S. dollar

Nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

Research and development expenses decreased due to the following:

- Decrease in operating expenses as a result of operational efficiencies associated with cost savings initiatives, including decreased compensation-related expenses associated with COVID-19 related cost reduction actions
- Favorable impacts of currency translation, which reduced expenses by 0.5%, due primarily to the weakening of the Euro compared to the U.S. dollar

**Amortization of acquired intangibles**

	Three Months Ended September 30,		2020 vs 2019		Nine Months Ended September 30,		2020 vs 2019	
	2020	2019	\$ Change	% Change	2020	2019	\$ Change	% Change
Amortization of acquired intangibles	\$ 28.6	\$ 28.2	\$ 0.4	1.4 %	\$ 84.5	\$ 85.1	\$ (0.6)	(0.7)%

Three months ended September 30, 2020 compared to the three months ended September 30, 2019

Amortization of acquired intangibles increased due to the following:

- Unfavorable impacts of foreign currency translation, primarily related to the strengthening of the Euro compared to the U.S. dollar

Nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

Amortization of acquired intangibles decreased due to the following:

- Favorable impacts of foreign currency translation, primarily related to the weakening of the Euro compared to the U.S. dollar

**Interest expense, net**

	Three Months Ended September 30,		2020 vs 2019		Nine Months Ended September 30,		2020 vs 2019	
	2020	2019	\$ Change	% Change	2020	2019	\$ Change	% Change
Interest expense, net	\$ 39.8	\$ 40.2	\$ (0.4)	(1.0)%	\$ 112.4	\$ 122.5	\$ (10.1)	(8.2)%

Three months ended September 30, 2020 compared to the three months ended September 30, 2019

Interest expense, net decreased primarily due to the following:

- Decrease in principal base due to the voluntary prepayment of \$300.0 million on our 2024 Dollar Term Loans in January 2020
- Decrease in average interest rates due to LIBOR decreases on our variable rate debt over the comparable period

Partially offset by:

- Increase in expense associated with the issuance of \$500.0 million aggregate principal amount of 2027 Senior Notes
- Unfavorable impacts of our derivative instruments
- Strengthening of the Euro compared to the U.S. dollar

Nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

Interest expense, net decreased primarily due to the following:

- Decrease in principal base due to the voluntary prepayment of \$300.0 million on our 2024 Dollar Term Loans in January 2020
- Decrease in average interest rates due to LIBOR decreases on our variable rate debt over the comparable period

Partially offset by:

- Increase from expense associated with the issuance of \$500.0 million aggregate principal amount of 2027 Senior Notes
- Unfavorable impacts of our derivative instruments

**Other expense (income), net**

	Three Months Ended September 30,		2020 vs 2019		Nine Months Ended September 30,		2020 vs 2019	
	2020	2019	\$ Change	% Change	2020	2019	\$ Change	% Change
Other expense (income), net	\$ 2.3	\$ (1.9)	\$ 4.2	221.1 %	\$ 0.9	\$ (3.8)	\$ 4.7	123.7 %

Three months ended September 30, 2020 compared to the three months ended September 30, 2019

Other expense (income), net increased due to the following:

- Increased impact of foreign exchange losses of \$4.8 million from \$0.7 million during the prior period to \$5.5 million during the current period due to strengthening of Euro

Partially offset by:

- Net benefits of \$0.7 million resulting from pension curtailments and settlements released from accumulated other comprehensive loss, partially offset by special termination benefits
- Increase in miscellaneous income

Nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

Other expense (income), net increased due to the following:

- Debt extinguishment and refinancing related costs of \$2.4 million, driven primarily by the write off of unamortized deferred financing costs and original issue discounts in relation with the voluntary prepayment of \$300.0 million of outstanding principal on our 2024 Dollar Term Loans in January 2020
- Increased impact of foreign exchange losses of \$2.2 million from \$5.3 million during the prior period to \$7.5 million during the current period due to Euro exposure
- Decrease in miscellaneous income

Partially offset by:

- Net benefits of \$2.5 million during the current period resulting from pension curtailments and settlements released from accumulated other comprehensive loss, partially offset by special termination benefits

**Provision (benefit) for income taxes**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Income before income taxes	\$ 99.6	\$ 84.7	\$ 29.0	\$ 260.8
Provision (benefit) for income taxes	17.1	18.3	(22.7)	50.4
Statutory U.S. Federal income tax rate	21.0 %	21.0 %	21.0 %	21.0 %
Effective tax rate	17.2 %	21.6 %	(78.3)%	19.3 %
Effective tax rate vs. statutory U.S. Federal income tax rate	(3.8)%	0.6 %	(99.3)%	(1.7)%

Items impacting the effective tax rate vs. statutory U.S. federal income tax rate	(Favorable) Unfavorable Impact			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Earnings generated in jurisdictions where the statutory rate is different from the U.S. Federal rate <sup>(1)</sup>	\$ (7.0)	\$ (5.5)	\$ (12.9)	\$ (16.5)
Changes in valuation allowance	(1.4)	5.6	6.0	(13.6)
Foreign exchange gain (loss), net	2.4	(1.3)	1.1	(0.4)
Stock-based compensation excess tax benefits, net	—	(4.2)	—	(11.0)
Non-deductible expenses and interest	0.9	1.1	4.0	3.3
Increase in unrecognized tax benefits <sup>(2)</sup>	1.8	2.0	21.1	9.2
Intra-entity asset transfer <sup>(3)</sup>	—	—	(50.5)	—
Foreign taxes <sup>(4)</sup>	0.9	0.3	4.4	18.7

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

(2) Primarily related to charges recorded in connection with the income tax audit in Germany.

(3) Related to the step-up of tax-deductible basis upon transfer of certain intellectual property rights to our Swiss subsidiary.

(4) For the nine months ended September 30, 2019, the unfavorable impact is primarily related to an adjustment for certain tax attributes for which the Company determined are no longer realizable. This was mostly offset by a tax benefit for the decrease to the valuation allowance on the tax attributes previously recorded as a result of changes under U.S. tax reform.



**SEGMENT RESULTS**

The Company's products and operations are managed and reported in two operating segments: Performance Coatings and Transportation Coatings.

***Performance Coatings Segment***

	Three Months Ended September 30,		2020 vs 2019		Nine Months Ended September 30,		2020 vs 2019	
	2020	2019	\$ Change	% Change	2020	2019	\$ Change	% Change
Net sales	\$ 682.7	\$ 723.7	\$ (41.0)	(5.7)%	\$ 1,812.5	\$ 2,193.7	\$ (381.2)	(17.4)%
Volume effect				(4.5)%				(14.1)%
Impact of portfolio changes				0.1 %				(1.3)%
Price/product mix effect				(2.4)%				(0.9)%
Exchange rate effect				1.1 %				(1.1)%
Adjusted EBIT	\$ 133.9	\$ 124.9	\$ 9.0	7.2 %	\$ 214.8	\$ 331.1	\$ (116.3)	(35.1)%
Adjusted EBIT Margin	19.6 %	17.3 %			11.9 %	15.1 %		

*Three months ended September 30, 2020 compared to the three months ended September 30, 2019*

Net sales decreased due to the following:

- Lower organic refinish volumes across all regions due to decreased demand primarily as a result of lower vehicle miles driven due to COVID-19
- Lower average selling prices and product mix across both end-markets, primarily driven by a change in product mix sold in refinish

Partially offset by:

- Favorable impacts of currency translation, due primarily to the strengthening of the Euro compared to the U.S. dollar

Adjusted EBIT increased due to the following:

- Lower operating expenses across both end-markets resulting from operational efficiencies associated with our cost savings initiatives including lower compensation expense associated with COVID-19 related cost reduction actions and decreased costs to support net sales
- Lower variable input costs across both end-markets

Partially offset by:

- Lower organic volumes across all regions driven by refinish, due to decreased demand primarily as a result of lower vehicle miles driven due to COVID-19
- Lower average selling prices and product mix across both end-markets
- Unfavorable impacts of currency translation, due primarily to the weakening of the Brazilian Real and Mexican Peso compared to the U.S. dollar

*Nine months ended September 30, 2020 compared to the nine months ended September 30, 2019*

Net sales decreased due to the following:

- Lower organic volumes across both end-markets and all regions due to decreased demand primarily as a result of lower vehicle miles driven and industrial production due to COVID-19
- Unfavorable impacts of currency translation, due primarily to the weakening of the Euro, Chinese Renminbi, Brazilian Real and Mexican Peso compared to the U.S. dollar
- Negative impacts as a result of portfolio changes within our industrial end-market, which included the sale of our consolidated joint venture interests during the second quarter of 2019
- Lower average selling prices and product mix across both end-markets, primarily driven by a change in product mix sold in refinish

Adjusted EBIT decreased due to the following:

- Lower organic volumes across both end-markets and all regions due to decreased demand primarily as a result of lower vehicle miles driven due to COVID-19
- Lower average selling prices and product mix across both end-markets
- Unfavorable impacts of currency translation, due primarily to the weakening of the Euro, Chinese Renminbi, Brazilian Real and Mexican Peso compared to the U.S. dollar
- Lower sales volume covering fixed costs, including impacts of reduced utilization at certain manufacturing sites and increased inventory reserves

Partially offset by:

- Lower operating expenses across both end-markets and most regions, resulting from operational efficiencies associated with our cost savings initiatives including lower compensation expense associated with COVID-19 related cost reduction actions and decreased costs to support net sales
- Lower variable input costs across both end-markets and all regions

**Transportation Coatings Segment**

	Three Months Ended September 30,		2020 vs 2019		Nine Months Ended September 30,		2020 vs 2019	
	2020	2019	\$ Change	% Change	2020	2019	\$ Change	% Change
Net sales	\$ 344.2	\$ 383.3	\$ (39.1)	(10.2)%	\$ 850.6	\$ 1,190.1	\$ (339.5)	(28.5)%
Volume effect				(9.0)%				(27.3)%
Price/product mix effect				0.4 %				1.5 %
Exchange rate effect				(1.6)%				(2.7)%
Adjusted EBIT	\$ 48.5	\$ 37.2	\$ 11.3	30.4 %	\$ 35.0	\$ 111.8	\$ (76.8)	(68.7)%
Adjusted EBIT Margin	14.1 %	9.7 %			4.1 %	9.4 %		

Three months ended September 30, 2020 compared to the three months ended September 30, 2019

Net sales decreased due to the following:

- Lower organic volumes across both end-markets and all regions due to decreased demand primarily as a result of significantly reduced global automotive production due to COVID-19 as well as a previously anticipated decrease in vehicle builds
- Unfavorable impacts of currency translation, due primarily to the weakening of the Brazilian Real and South African Rand compared to the U.S. dollar

Partially offset by:

- Higher average selling prices across most regions driven by commercial vehicle

Adjusted EBIT increased due to the following:

- Lower operating expenses across both end-markets and all regions, primarily in light vehicle resulting from operational efficiencies associated with our cost savings initiatives including lower compensation expense associated with COVID-19 related cost reduction actions and decreased costs to support net sales
- Lower variable input costs across both end-markets and all regions
- Higher average selling prices across most regions driven by commercial vehicle

Partially offset by:

- Lower organic volumes across both end-markets and all regions due to decreased demand primarily as a result of significantly reduced global automotive production due to COVID-19 as well as a previously anticipated decrease in vehicle builds
- Unfavorable impacts of currency translation, due primarily to the weakening of the Brazilian Real and South African Rand compared to the U.S. dollar

*Nine months ended September 30, 2020 compared to the nine months ended September 30, 2019*

Net sales decreased due to the following:

- Lower organic volumes across both end-markets and all regions due to decreased demand primarily as a result of significantly reduced global automotive production due to COVID-19 as well as a previously anticipated decrease in vehicle builds
- Unfavorable impacts of currency translation, due primarily to the weakening of the Brazilian Real, Mexican Peso, Euro and Chinese Renminbi compared to the U.S. dollar

Partially offset by:

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

Adjusted EBIT decreased due to the following:

- Lower organic volumes across both end-markets and all regions due to decreased demand primarily as a result of significantly reduced global automotive production due to COVID-19 as well as a previously anticipated decrease in vehicle builds
- Unfavorable impacts of currency translation, due primarily to the weakening of the Brazilian Real, Mexican Peso, Euro and Chinese Renminbi compared to the U.S. dollar
- Lower sales volume covering fixed costs, including impacts of reduced utilization at certain manufacturing sites and increased inventory reserves

Partially offset by:

- Lower operating expenses across both end-markets and most regions, resulting from operational efficiencies associated with our cost savings initiatives including lower compensation expense associated with COVID-19 related cost reduction actions and costs to decreased support net sales
- Higher average selling prices across both end-markets and all regions
- Lower variable input costs across both end-markets and all regions

## **LIQUIDITY AND CAPITAL RESOURCES**

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

At September 30, 2020, availability under the Revolving Credit Facility was \$366.0 million, net of \$34.0 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, 2020, we had \$11.2 million of outstanding borrowings under other lines of credit. Our remaining available borrowing capacity under other lines of credit in certain non-U.S. jurisdictions totaled \$6.6 million.

We, or our affiliates, at any time and from time to time, may purchase shares of our common stock, the Senior Notes, prepay our Term Loans or other indebtedness. Any such purchases of our common stock or Senior Notes 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**

(In millions)	Nine Months Ended September 30,	
	2020	2019
Net cash provided by (used for):		
Operating activities:		
Net income	\$ 51.7	\$ 210.4
Depreciation and amortization	243.6	267.3
Amortization of deferred financing costs and original issue discount	6.8	6.7
Debt extinguishment and refinancing related costs	2.4	0.2
Deferred income taxes	(57.2)	(5.6)
Realized and unrealized foreign exchange losses, net	12.7	1.5
Stock-based compensation	15.9	9.5
Divestitures and impairment charges	3.5	3.4
Interest income on swaps designated as net investment hedges	(11.0)	(11.0)
Other non-cash, net	2.7	(3.5)
Net income adjusted for non-cash items	271.1	478.9
Changes in operating assets and liabilities	(40.2)	(189.1)
Operating activities	230.9	289.8
Investing activities	(39.3)	(59.0)
Financing activities	136.8	(145.0)
Effect of exchange rate changes on cash	(4.7)	(12.1)
Net increase in cash, cash equivalents and restricted cash	\$ 323.7	\$ 73.7

**Nine months ended September 30, 2020***Net Cash Provided by Operating Activities*

Net cash provided by operating activities for the nine months ended September 30, 2020 was \$230.9 million. Net income before deducting depreciation, amortization and other non-cash items generated cash of \$271.1 million. This was offset by net uses of working capital of \$40.2 million, for which the most significant drivers were increases in prepaid expenses and other assets of \$60.8 million and other accrued liabilities of \$40.9 million, partially offset by decreases in inventory of \$43.2 million during the nine months ended September 30, 2020. These outflows were primarily related to the timing of cash payments for employee related benefits, customer incentive payments, payments of normal seasonal operating activities and decreased business activity associated with the COVID-19 downturn.

*Net Cash Used for Investing Activities*

Net cash used for investing activities for the nine months ended September 30, 2020 was \$39.3 million. The primary use was for purchases of property, plant and equipment of \$56.2 million, partially offset by interest proceeds on swaps designated as net investment hedges of \$11.0 million.

*Net Cash Provided by Financing Activities*

Net cash provided by financing activities for the nine months ended September 30, 2020 was \$136.8 million. This change was driven primarily by cash proceeds of \$500.0 million from the issuance of our 2027 Senior Notes, partially offset by the voluntary prepayment of \$300.0 million on the outstanding principal on the 2024 Dollar Term Loans. Also offsetting the net inflows were routine repayments of \$48.5 million on short-term and long-term borrowings, payments for financing-related costs of \$8.4 million and purchases of noncontrolling interests of \$5.8 million.

*Other Impacts on Cash*

Currency exchange impacts on cash for the nine months ended September 30, 2020 were unfavorable by \$4.7 million, which was driven primarily by weakening of the Mexican Peso, South African Rand, Brazilian Real and Russian Ruble compared to the U.S. Dollar.

***Nine months ended September 30, 2019***

*Net Cash Provided by Operating Activities*

Net cash provided by operating activities for the nine months ended September 30, 2019 was \$289.8 million. Net income before deducting depreciation, amortization and other non-cash items generated cash of \$478.9 million. This was partially offset by net uses of working capital of \$189.1 million. The most significant drivers of the uses of working capital were increases in accounts receivable of \$128.9 million and prepaid expenses and other assets of \$95.0 million due to the seasonal increase in net sales, timing of collections, and upfront customer incentive payments during the nine months ended September 30, 2019. Partially offsetting these outflows were increases in accounts payable of \$29.9 million and other liabilities of \$8.9 million.

*Net Cash Used for Investing Activities*

Net cash used for investing activities for the nine months ended September 30, 2019 was \$59.0 million. The primary uses were for purchases of property, plant and equipment of \$73.9 million and business acquisitions of \$2.1 million, partially offset by interest proceeds on swaps designated as net investment hedges of \$11.0 million and net proceeds from the sale of our noncontrolling interest subsidiary of \$8.2 million.

*Net Cash Used for Financing Activities*

Net cash used for financing activities for the nine months ended September 30, 2019 was \$145.0 million. This change was driven by purchases of common stock totaling \$105.3 million, payments of \$49.5 million on short-term and long-term borrowings, investments in noncontrolling interests of \$31.1 million and dividends to noncontrolling interests of \$1.5 million. These payments were partially offset by cash received from stock option exercises of \$46.0 million.

*Other Impacts on Cash*

Currency exchange impacts on cash for the nine months ended September 30, 2019 were unfavorable by \$12.1 million, which was driven primarily by weakening of the Euro compared to the U.S. Dollar.

**Financial Condition**

We had cash and cash equivalents at September 30, 2020 and December 31, 2019 of \$1,341.3 million and \$1,017.5 million, respectively. Of these balances, \$634.7 million and \$540.0 million were maintained in non-U.S. jurisdictions as of September 30, 2020 and December 31, 2019, 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, including the effects of COVID-19.

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, 2020	December 31, 2019
2024 Dollar Term Loans	\$ 2,069.3	\$ 2,387.5
2024 Dollar Senior Notes	500.0	500.0
2024 Euro Senior Notes	391.4	375.2
2025 Euro Senior Notes	525.8	504.0
2027 Dollar Senior Notes	500.0	—
Short-term and other borrowings	114.2	109.0
Unamortized original issue discount	(7.9)	(10.5)
Unamortized deferred financing costs	(33.2)	(31.1)
<b>Total borrowings, net</b>	<b>4,059.6</b>	<b>3,834.1</b>
Less:		
Short-term borrowings	24.4	19.6
Current portion of long-term borrowings	24.3	24.3
<b>Long-term debt</b>	<b>\$ 4,010.9</b>	<b>\$ 3,790.2</b>

Our indebtedness, including the Senior Secured Credit Facilities and Senior Notes, is more fully described in Note 14 to unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q and Note 18 to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2019.

We believe that 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 \$366.0 million and \$361.2 million at September 30, 2020 and December 31, 2019, 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.

#### **Contractual Obligations**

Information related to our contractual obligations can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2019. There have been no material changes in the Company's contractual obligations since December 31, 2019.

#### **Off-Balance Sheet Arrangements**

See Note 5 "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 1 "Basis of Presentation and Summary of Significant Accounting Policies" 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, 2019. 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 1 - Basis of Presentation and Summary of Significant Accounting Policies" in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

**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, 2019.

**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, 2020.

***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, 2020 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 adverse effect upon our results of operations, financial condition or cash flows on a consolidated annual basis.

### **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, 2019, other than as set forth below.

*Our business, results of operations, financial condition, cash flows and stock price can be adversely affected by pandemics, epidemics or other public health emergencies, such as the recent outbreak of COVID-19.*

The impact of the coronavirus (COVID-19) has created significant volatility in the global economy and led to declining near-term, and uncertain longer-term, economic activity and conditions. There have been extraordinary actions taken by international, federal, state, and local public health and governmental authorities to contain and combat the outbreak and spread of COVID-19 in regions throughout the world, including travel bans, quarantines, “stay-at-home” orders, and similar mandates for many individuals to substantially restrict daily activities and for many businesses to curtail or cease normal operations.

Although we have continued to operate our facilities to date consistent with applicable governmental orders, the outbreak of COVID-19 and any preventive, protective or other actions taken by governmental authorities may have a material adverse effect on our operations, supply chain, customers and logistics networks, including business shutdowns and other disruptions. The extent to which COVID-19 may adversely impact our business depends on future developments, which are highly uncertain and unpredictable, depending upon the severity and duration of the outbreak and the effectiveness of actions taken globally to contain or mitigate its effects, including any ongoing actions in response to changing health conditions over time. Any resulting financial impact cannot be estimated reasonably at this time, but may materially adversely affect our business, results of operations, financial condition and cash flows. Even after the COVID-19 pandemic has subsided, we may experience materially adverse impacts to our business due to any resulting economic recession or depression. Additionally, concerns over the economic impact of COVID-19 have caused extreme volatility in financial and other capital markets which has and may continue to adversely impact our stock price and our ability to access capital markets. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in our Annual Report on Form 10-K for the year ended December 31, 2019, such as those relating to our products and financial performance.

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

None.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

### **ITEM 5. OTHER INFORMATION**

None.



**ITEM 6. EXHIBITS**

<b>EXHIBIT NO.</b>	<b>DESCRIPTION OF EXHIBITS</b>
4.2	<a href="#">Separation and Release Agreement with Steve Markevich</a>
31.1	<a href="#">Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	<a href="#">Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1†	<a href="#">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</a>
32.2†	<a href="#">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</a>
101	INS - Inline XBRL Instance Document. The document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document
101	SCH - Inline XBRL Taxonomy Extension Schema Document
101	CAL - Inline XBRL Taxonomy Extension Calculation Linkbase Document
101	DEF - Inline XBRL Taxonomy Extension Definition Linkbase Document
101	LAB - Inline XBRL Taxonomy Extension Label Linkbase Document
101	PRE - Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)
†	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 26, 2020

By: /s/ Robert W. Bryant

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Robert W. Bryant  
Chief Executive Officer and President  
(Principal Executive Officer)

Date: October 26, 2020

By: /s/ Sean M. Lannon

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Sean M. Lannon  
Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)

Date: October 26, 2020

By: /s/ Anthony Massey

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Anthony Massey  
Vice President and Global Controller  
(Principal Accounting Officer)

### **Separation and Release Agreement**

This Separation and Release Agreement (“Agreement”) is made by and between Steven R. Markevich (“Executive”) and 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) (collectively, referred to as the “Parties” or individually referred to as a “Party”). Capitalized terms used but not defined in this Agreement shall have the meanings set forth in the Executive Agreement (as defined below).

WHEREAS, the Parties, together with Axalta Coating Systems, LLC, have previously entered into that certain Second Amended and Restated Executive Restrictive Covenant and Severance Agreement, effective as of February 20, 2018 (the “Executive Agreement”); and

WHEREAS, in connection with Executive’s termination of employment with the Company, the Parties wish to resolve any and all disputes, claims, complaints, grievances, charges, actions, petitions, and demands that Executive may have against the Company and any of the Releasees as defined below, including, but not limited to, any and all claims arising out of or in any way related to Executive’s employment with or separation from the Company or its subsidiaries or affiliates but, for the avoidance of doubt, nothing herein will be deemed to release any rights or remedies in connection with Executive’s ownership of vested equity securities of the Company or Executive’s right to indemnification by the Company or any of its affiliates pursuant to contract or applicable law (collectively, the “Retained Claims”).

NOW, THEREFORE, in consideration of the severance payments described in Section 2 of the Executive Agreement, which, pursuant to the Executive Agreement, are conditioned on Executive’s execution and non-revocation of a general release of the Company, and in consideration of the mutual promises made herein, the Company and Executive hereby agree as follows:

1. Termination Date; Continuing Obligations; Transition Assistance. Effective as of 11:59 pm EDT on October 11, 2020 (or such other date as may be agreed to by the Parties), Executive shall cease to serve as the Company’s Executive Vice President and President, Transportation Coatings and Greater China of Axalta Coating Systems. Executive’s employment with the Company shall end at 5:00 pm EDT on November 2, 2020, or such other date as may be agreed to by the Parties (the “Termination Date”). After the Termination Date, Executive will have no employment relationship with, or authority to represent or act on behalf of, the Company. Between the date this Agreement is executed and the Termination Date, subject to Executive’s compliance with the terms of this Agreement, Executive will continue to receive his current base salary and will continue to participate as an active employee in the benefit plans and programs in which he currently participates. During such period, Executive will continue to have a duty of loyalty to the Company, will continue to be subject to the same policies as other active employees, will be expected to conduct himself in accordance with the Company’s policies during that time, and will be expected to continue to comply with the terms of this Agreement, the Executive Agreement, and any other written agreement he may have signed regarding intellectual property, confidentiality, non-competition, non-solicitation of customers or employees, or the protection of trade secrets or proprietary information. Additionally, Executive

agrees to coordinate with the Chief Executive Officer of the Company and others acting at the Chief Executive Officer's direction regarding the transition of Executive's responsibilities to others and to cooperate in the orderly transition of Executive's responsibilities as a Company executive and to provide such assistance following the Termination Date as the Chief Executive Officer of the Company may reasonably request in furtherance of that objective (the "Transition Assistance"). Executive acknowledges and agrees that his entitlement to the amounts described in the second sentence in Section 2 of this Agreement is full and adequate consideration for the provision of such Transition Assistance. For avoidance of doubt, the Parties acknowledge and agree that, subject to Executive's compliance with the terms of this Agreement, the termination of Executive's employment on the Termination Date will constitute a Qualifying Termination for purposes of the Executive Agreement and therefore satisfy the requirements of Section 3(a) of Executive's retention agreement dated September 23, 2019, and pursuant to the terms thereof, Executive shall be entitled to the severance payments and benefits described in Sections 2(a)(ii), (iii) and (iv) of the Executive Agreement and Executive will not be required under the retention agreement to repay the retention bonus due to the termination of his employment.

2. Severance Payments; Salary, Benefits, 2020 Annual Bonus and Transition Assistance Payment. If Executive complies with the terms of this Agreement, executes and does not revoke this Agreement and, on or within 30 days after the Termination Date, executes and does not revoke the Final Release attached hereto as Appendix A, which is incorporated herein by reference and made a part hereof (collectively, the "Severance Conditions"), the Company agrees to provide Executive with the severance payments and benefits described in Sections 2(a)(ii), (iii) and (iv) of the Executive Agreement, payable at the times set forth in, and subject to the terms and conditions of, the Executive Agreement, and, to the extent not already paid, and subject to the terms and conditions of the Executive Agreement, the Company shall pay or provide to Executive all other payments or benefits described in Section 2(a)(i) of the Executive Agreement, subject to and in accordance with the terms thereof. In addition, conditioned on Executive's satisfaction of the Severance Conditions and Executive's agreement to provide (and the provision of) the Transition Assistance, (a) Executive shall remain eligible to earn his 2020 annual cash bonus (without proration), with the amount of such annual bonus to be determined by the Company based on the Company's and the Executive's individual performance in 2020 (with Company performance assessed and deemed achieved in the same manner and at the same level as applies to the 2020 annual bonuses of other members of the Company's leadership team and individual performance deemed achieved at target levels), and with such annual bonus, to the extent earned, payable at the same time as the 2020 annual bonuses are paid to other members of the Company's leadership team, and (b) the Company shall pay to Executive, together with the first severance payment under Section 2(a)(ii) of the Executive Agreement, a lump sum cash payment of \$450,000.

3. Release of Claims. Executive agrees that, other than with respect to the Retained Claims, the foregoing consideration represents settlement in full of all outstanding obligations owed to Executive by the Company and any of its Affiliates, and any of their current and former officers, directors, equity holders, managers, employees, agents, investors, attorneys, shareholders, members, administrators, affiliates, benefit plans, plan administrators, insurers, trustees, divisions, and subsidiaries and predecessor and successor corporations and assigns

(collectively, the “Releasees”). Executive, on his own behalf and on behalf of any of Executive’s affiliated companies or entities and any of their respective heirs, family members, executors, agents, and assigns, other than with respect to the Retained Claims, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that Executive may possess against any of the Releasees arising from any omissions, acts, facts, or damages that have occurred up until and including the Effective Date of this Agreement (as defined in Section 12 below), including, without limitation:

(a) any and all claims relating to or arising from Executive’s employment or service relationship with the Company or any of its direct or indirect subsidiaries or affiliates and the termination of that relationship;

(b) any and all claims relating to, or arising from, Executive’s right to purchase, or actual purchase of any common shares or other equity interests of the Company or any of its affiliates, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

(c) any and all claims for wrongful discharge of employment; termination in violation of public policy; discrimination; harassment; retaliation; breach of contract, both express and implied; breach of covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; fraud; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; conversion; and disability benefits;

(d) any and all claims for violation of any federal, state, or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; the Equal Pay Act; the Fair Credit Reporting Act; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act; the Employee Retirement Income Security Act of 1974; the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act; the Sarbanes-Oxley Act of 2002; the Michigan Elliott-Larsen Civil Rights Act (ELCRA); the Michigan Persons with Disabilities Civil Rights Act (PWDCRA); the Payment of Wages and Fringe Benefits Act (WFBA); and the Michigan Whistleblowers’ Protection Act (WPA);

(e) any and all claims for violation of the federal or any state constitution;

(f) any and all claims arising out of any other laws and regulations relating to employment or employment discrimination;

(g) any claim for any loss, cost, damage, or expense arising out of any dispute over the non-withholding or other tax treatment of any of the proceeds received by Executive as a result of this Agreement; and

(h) any and all claims for attorneys' fees and costs.

Executive agrees that the release set forth in this Section shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not release claims that cannot be released as a matter of law, including, but not limited to, Executive's right to file a charge with or participate in a charge by the Equal Employment Opportunity Commission, or any other local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, against the Company (with the understanding that Executive's release of claims herein bars Executive from recovering such monetary relief from the Company or any Releasee), claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law, claims to continued participation in certain of the Company's group benefit plans pursuant to the terms and conditions of COBRA, claims to any benefit entitlements vested as the date of separation of Executive's employment, pursuant to written terms of any employee benefit plan of the Company or its affiliates and Executive's right under applicable law and any Retained Claims. This release further does not release claims for breach of Section 2(a) of the Executive Agreement.

4. Acknowledgment of Waiver of Claims under ADEA. Executive understands and acknowledges that Executive is waiving and releasing any rights Executive may have under the Age Discrimination in Employment Act of 1967 ("ADEA"), and that this waiver and release is knowing and voluntary. Executive understands and agrees that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Date of this Agreement. Executive understands and acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Executive was already entitled. Executive further understands and acknowledges that Executive has been advised by this writing that: (a) Executive should consult with an attorney prior to executing this Agreement; (b) Executive has 21 days within which to consider this Agreement; (c) Executive has seven days following Executive's execution of this Agreement to revoke this Agreement pursuant to written notice to the General Counsel of the Company in accordance with Section 12 of this Agreement; (d) this Agreement shall not be effective until after the revocation period has expired; and (e) nothing in this Agreement prevents or precludes Executive from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties, or costs for doing so, unless specifically authorized by federal law. In the event Executive signs this Agreement and returns it to the Company in less than the 21 day period identified above, Executive hereby acknowledges that Executive has freely and voluntarily chosen to waive the time period allotted for considering this Agreement

5. Confirmation of Forfeiture of Unvested Equity Awards and Continuing Obligations.

(a) Forfeiture of Unvested Equity Awards. Executive acknowledges that, consistent with the terms of the applicable equity award agreements, all of Executive's equity awards that are unvested on the Termination Date will automatically be forfeited on the Termination Date.

(b) Restrictive Covenants. Executive acknowledges that Executive continues to be bound by Sections 3, 4, 6, 7, 8, 9, and 11 of the Executive Agreement, and any other agreement governing the use of the Company's confidential information that Executive signed in connection with Executive's employment in accordance with the terms thereof.

(c) Nondisparagement. The Parties acknowledge and agree to comply at all times in the future with the nondisparagement obligations of Section 5 of the Executive Agreement.

6. Whistleblower Provision. Notwithstanding anything to the contrary contained in this Agreement or any confidentiality and inventions assignment or similar agreement, (a) Executive will not be prevented from reporting possible violations of federal law or regulation to any United States governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other whistleblower protection provisions of state or federal law or regulation (including the right to receive an award for information provided to any such government agencies), and (b) Executive acknowledges that he will not be held criminally or civilly liable for (i) the disclosure of confidential or proprietary information that is made in confidence to a government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (ii) disclosure of confidential or proprietary information that is made in a complaint or other document filed in a lawsuit or other proceeding under seal or pursuant to court order.

7. Severability. In the event that any provision or any portion of any provision hereof or any surviving agreement made a part hereof becomes or is declared by a court of competent jurisdiction or arbitrator to be illegal, unenforceable, or void, this Agreement shall continue in full force and effect without said provision or portion of provision.

8. No Oral Modification. This Agreement may only be amended in a writing signed by Executive and a duly authorized officer of the Company.

9. Governing Law; Dispute Resolution. This Agreement shall be subject to the provisions of Section 9 and Sections 11(d), and (e) of the Executive Agreement.

10. Withholding and other Deductions. All compensation payable or provided to Executive hereunder shall be subject to such tax withholding and other deductions as the Company is from time to time required to make pursuant to law, governmental regulation or order.

11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, all of which together shall constitute one and the same instrument.

12. Revocation Period and Effective Date. Executive has seven days after he signs this Agreement to revoke it and this Agreement will become effective on the eighth day after Executive signed this Agreement, so long as it has been signed by the Parties and has not been revoked before that date (the "Effective Date"). Executive understands that any revocation of this Agreement must be made in writing and delivered to Brian A. Berube, Senior Vice President, General Counsel and Corporate Secretary by email at [redacted] on or before the 7<sup>th</sup> day following the date Executive signs this Agreement and that this Agreement may not be revoked after the seven day revocation period has passed.

13. Incentive Compensation Recoupment Policy. All payments and benefits provided to Executive pursuant to this Agreement shall be subject to the terms of the Company's Incentive Compensation Recoupment Policy as if such payments and benefits were "Incentive Compensation" thereunder.

14. Voluntary Execution of Agreement. Executive understands and agrees that Executive executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of Executive's claims against the Company and any of the other Releasees. Executive acknowledges that: (a) Executive has read this Agreement; (b) Executive has not relied upon any representations or statements made by the Company that are not specifically set forth in this Agreement; (c) Executive has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of his own choice or has elected not to retain legal counsel; (d) Executive understands the terms and consequences of this Agreement and of the releases it contains; and (e) Executive is fully aware of the legal and binding effect of this Agreement.

*[Signature Page Follows]*



IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below.

**Executive**

Dated: September 22, 2020 \_\_\_\_\_  
Steven R. Markevich

**Axalta Coating Systems Ltd.**

Dated: September 22, 2020 By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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Appendix A

**Final Release**

Pursuant to the Separation and Release Agreement (the “Agreement”) that the undersigned (“Executive”) signed with Axalta Coating Systems Ltd. (the “Company”), Executive agrees to the terms set forth in this Final Release (the “Final Release”) as a pre-condition to Executive’s entitlement to the payments and benefits set forth in Section 2 of the Agreement. Capitalized terms used but not defined in this Final Release shall have the meanings set forth in the Agreement.

1. Release of Claims. Executive agrees that, other than with respect to the Retained Claims, the consideration set forth in Section 2 of the Agreement represents settlement in full of all outstanding obligations owed to Executive by the Company and any of its Affiliates, and any of their current and former officers, directors, equity holders, managers, employees, agents, investors, attorneys, shareholders, members, administrators, affiliates, benefit plans, plan administrators, insurers, trustees, divisions, and subsidiaries and predecessor and successor corporations and assigns (collectively, the “Releasees”). Executive, on his own behalf and on behalf of any of Executive’s affiliated companies or entities and any of their respective heirs, family members, executors, agents, and assigns, other than with respect to the Retained Claims, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that Executive may possess against any of the Releasees arising from any omissions, acts, facts, or damages that have occurred up until and including the Final Release Effective Date (as defined in Section 7 below), including, without limitation:

(a) any and all claims relating to or arising from Executive’s employment or service relationship with the Company or any of its direct or indirect subsidiaries or affiliates and the termination of that relationship;

(b) any and all claims relating to, or arising from, Executive’s right to purchase, or actual purchase of any common shares or other equity interests of the Company or any of its affiliates, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

(c) any and all claims for wrongful discharge of employment; termination in violation of public policy; discrimination; harassment; retaliation; breach of contract, both express and implied; breach of covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; fraud; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; conversion; and disability benefits;

(d) any and all claims for violation of any federal, state, or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; the Equal Pay Act; the Fair Credit Reporting Act; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act; the Employee Retirement Income Security Act of 1974; the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act; and the Sarbanes-Oxley Act of 2002; the Michigan Elliott-Larsen Civil Rights Act (ELCRA); the Michigan Persons with Disabilities Civil Rights Act (PWDCRA); the Payment of Wages and Fringe Benefits Act (WFBA); and the Michigan Whistleblowers' Protection Act (WPA);

(e) any and all claims for violation of the federal or any state constitution;

(f) any and all claims arising out of any other laws and regulations relating to employment or employment discrimination;

(g) any claim for any loss, cost, damage, or expense arising out of any dispute over the non-withholding or other tax treatment of any of the proceeds received by Executive as a result of this Final Release; and

(h) any and all claims for attorneys' fees and costs.

Executive agrees that the release set forth in this Section shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not release claims that cannot be released as a matter of law, including, but not limited to, Executive's right to file a charge with or participate in a charge by the Equal Employment Opportunity Commission, or any other local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, against the Company (with the understanding that Executive's release of claims herein bars Executive from recovering such monetary relief from the Company or any Releasee), claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law, claims to continued participation in certain of the Company's group benefit plans pursuant to the terms and conditions of COBRA, claims to any benefit entitlements vested as the date of separation of Executive's employment, pursuant to written terms of any employee benefit plan of the Company or its affiliates and Executive's right under applicable law and any Retained Claims. This release further does not release claims for breach of Section 2(a) of the Executive Agreement.

2. Acknowledgment of Waiver of Claims under ADEA. Executive understands and acknowledges that Executive is waiving and releasing any rights Executive may have under the Age Discrimination in Employment Act of 1967 ("ADEA"), and that this waiver and release is knowing and voluntary. Executive understands and agrees that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Final Release Effective Date (as defined in Section 7 below). Executive understands and acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Executive was already entitled. Executive further understands and acknowledges that Executive has been advised by this writing that: (a) Executive should consult with an attorney prior to

executing this Final Release; (b) Executive has 21 days within which to consider this Final Release; (c) Executive has seven days following Executive's execution of this Final Release to revoke this Final Release pursuant to written notice to the General Counsel of the Company in accordance with Section 7 of this Final Release; (d) this Final Release shall not be effective until after the revocation period has expired; and (e) nothing in this Final Release prevents or precludes Executive from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties, or costs for doing so, unless specifically authorized by federal law. In the event Executive signs this Final Release and returns it to the Company in less than the 21 day period identified above, Executive hereby acknowledges that Executive has freely and voluntarily chosen to waive the time period allotted for considering this Final Release.

3. Severability. In the event that any provision or any portion of any provision hereof or any surviving agreement made a part hereof becomes or is declared by a court of competent jurisdiction or arbitrator to be illegal, unenforceable, or void, this Final Release shall continue in full force and effect without said provision or portion of provision.

4. No Oral Modification. This Final Release may only be amended in a writing signed by Executive and a duly authorized officer of the Company.

5. Governing Law; Dispute Resolution. This Final Release shall be subject to the provisions of Section 9 and Sections 11(d), and (e) of the Executive Agreement.

6. Counterparts. This Final Release may be executed in one or more counterparts, each of which shall be deemed an original, all of which together shall constitute one and the same instrument.

7. Revocation Period and Effective Date. Executive has seven days after he signs this Final Release to revoke it and this Final Release will become effective on the eighth day after Executive signed this Final Release, so long as it has been signed by the Parties and has not been revoked before that date (the "Final Release Effective Date"). Executive understands that any revocation of this Final Release must be made in writing and delivered to Brian A. Berube, Senior Vice President, General Counsel and Corporate Secretary by email at [redacted] on or before the 7<sup>th</sup> day following the date Executive signs this Final Release and that this Final Release may not be revoked after the seven day revocation period has passed.

8. Voluntary Execution of Agreement. Executive understands and agrees that Executive executed this Final Release voluntarily, without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of Executive's claims against the Company and any of the other Releasees. Executive acknowledges that: (a) Executive has read this Final Release; (b) Executive has not relied upon any representations or statements made by the Company that are not specifically set forth in this Final Release; (c) Executive has been represented in the preparation, negotiation, and execution of this Final Release by legal counsel of his own choice or has elected not to retain legal counsel; (d) Executive understands the terms and consequences of this Final Release and of the releases it contains; and (e) Executive is fully aware of the legal and binding effect of this Final Release.

*[Signature Page Follows]*

In consideration of the good and valuable consideration set forth above and in the Agreement, and intending to be legally bound, Executive affixes his signature to express his acceptance of the terms of this Final Release.

ACCEPTED AND AGREED BY THE UNDERSIGNED:

**Executive**

Dated: \_\_\_\_\_  
                    \_\_\_\_\_ Steven R. Markevich

Date delivered to Executive: September 22, 2020

## 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 26, 2020

By: /s/ Robert W. Bryant

Name:

Robert W. Bryant

Title:

Chief Executive Officer and President

## CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Sean M. Lannon, certify that:

1. I have reviewed this 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 26, 2020

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



**Certification of CEO Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, Robert W. Bryant, Chief Executive Officer and President 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, 2020 (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 26, 2020

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

This certification accompanies this report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or otherwise subject to liability pursuant to that section. The certification shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of CFO Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, Sean M. Lannon, Senior Vice President and Chief Financial Officer of Axalta Coating Systems Ltd. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2020 (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 26, 2020

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

This certification accompanies this report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or otherwise subject to liability pursuant to that section. The certification shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.