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

# FORM 10-K

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

**For the fiscal year ended December 31, 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**

# AXALTA COATING SYSTEMS LTD.

**(Exact name of registrant as specified in its charter)**

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

**Two Commerce Square**
**2001 Market Street**
**Suite 3600**
**Philadelphia, Pennsylvania 19103**
**(855) 547-1461**
**(Address, including zip code, and telephone number, including area code, of the registrant's principal executive offices)**

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

| Common Shares, $1.00 par value | AXTA | New York Stock Exchange |
|---|---|---|
| (title of class) | (Trading symbol) | (Exchange on which registered) |

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes ☒ No ☐
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act Yes ¨ No ☒
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐
Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐
Indicate by check mark whether the Company is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer ☒ Non-accelerated filer ☐ Accelerated filer ☐ Small reporting company ☐ Emerging growth company ☐
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐
Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒
Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒
As of June 30, 2020, the last day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $5,295.8 million (based on the closing sale price of the common stock on that date on the New York Stock Exchange).
As of February 11, 2021, there were 233,968,021 shares of the registrant's common shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference from the registrant's Proxy Statement for the 2021 Annual Meeting of the Shareholders. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the close of the registrant's fiscal year ended December 31, 2020.

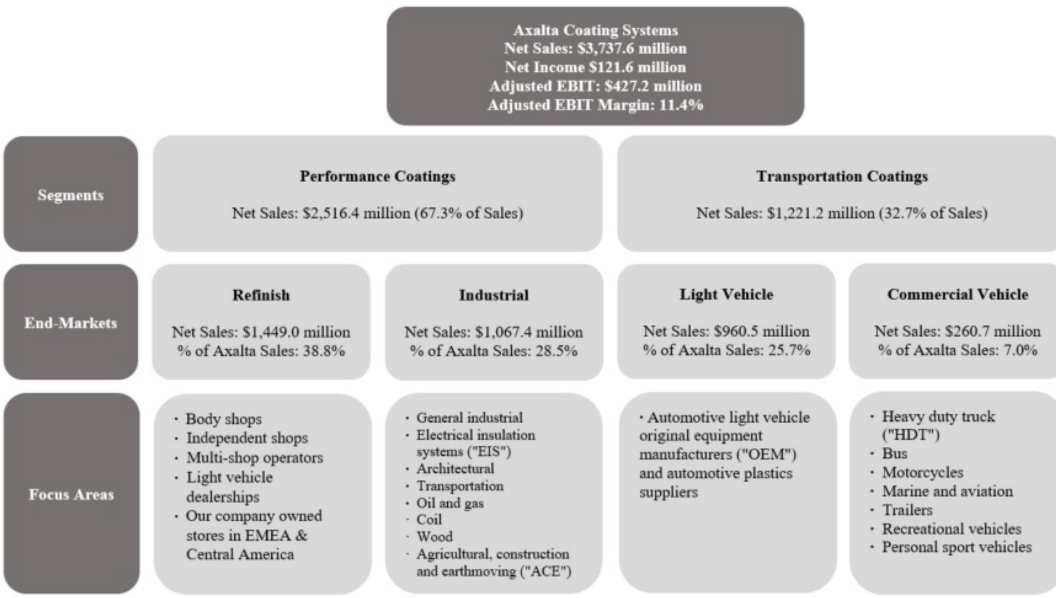
**Table of Contents**

## PART I

### ITEM 1. BUSINESS

Axalta Coating Systems Ltd. ("Axalta," the "Company," "we," "our" and "us"), a Bermuda exempted holding company incorporated in 2012, is a leading global manufacturer, marketer and distributor of high performance coatings systems. We have over a 150-year heritage in the coatings industry and are known for manufacturing high-quality products with well-recognized brands supported by market-leading technology and customer service. Over the course of our history we have remained at the forefront of our industry by continually developing innovative coatings technologies designed to enhance the performance and appearance of our customers' products, while improving their productivity and profitability.

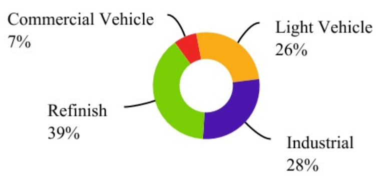
Our diverse global footprint allows us to meet the needs of our customer base through an extensive sales force and technical support organization, as well as independent, locally-based distributors. Our scale and strong local presence are critical to our success, allowing us to leverage our technology portfolio and customer relationships globally while meeting customer demands locally. We operate our business in two operating segments, Performance Coatings and Transportation Coatings, serving four end-markets globally as highlighted below. See the discussion and reconciliation of segment Adjusted EBIT to income before income taxes in Note 20 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.



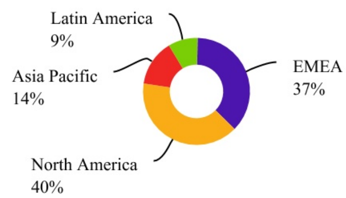

The table above reflects numbers for the year ended December 31, 2020. Adjusted EBIT Margin is calculated as Adjusted EBIT divided by net sales.

Net sales for our four end-markets and four regions for the year ended December 31, 2020 are highlighted below:

**Net Sales by End-Market**




**Net Sales by Geography**




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

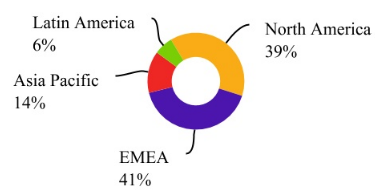
## SEGMENT OVERVIEW

### Performance Coatings

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

**2020 Performance Coatings Net Sales by End-Market**


**2020 Performance Coatings Net Sales by Geography**




***Performance Coatings End-Markets***

*Refinish*

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

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

*Industrial*

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

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

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

*Performance Coatings Products and Brands*

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

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

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

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

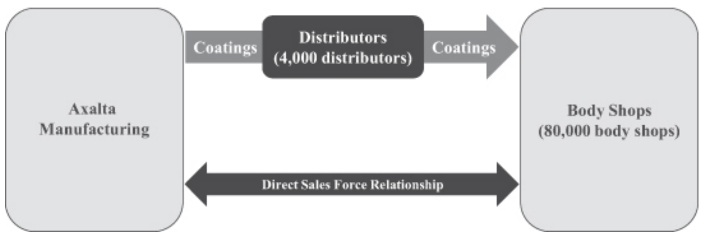
Our major industrial brands include Voltatex®, AquaEC™, Durapon®, Hydropon™, UNRIVALED™, Tufcote™, and Ceranamel® for liquid coatings and Alesta®, Nap-Gard®, Abcite® and Plascoat® for powder coatings.

*Performance Coatings Sales, Marketing and Distribution*

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

Our large sales force manages relationships directly with our end-customers to drive demand for our products, which in turn are purchased through customers in our distributor network. Due to the local nature of the refinish industry, our sales force operates on a regional/country basis to provide clients with responsive customer service and local insight. As part of their coverage efforts, salespeople introduce new products to body shops and provide technical support and ongoing training. We have 53 customer training centers established globally, which helps to deepen our customer relationships.

**Axalta's Refinish Sales, Marketing and Distribution Process**




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

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

*Performance Coatings Customers*

Within our Performance Coatings segment, we sell coatings to customers in more than 130 countries. Our top ten customers accounted for approximately 16% of our Performance Coatings net sales during the year ended December 31, 2020.

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

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

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

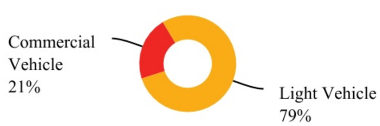
*Performance Coatings Competition*

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

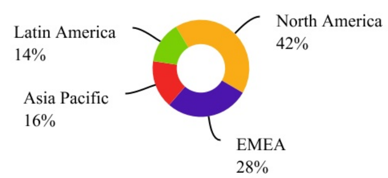
**Transportation Coatings**

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

**2020 Transportation Coatings Net Sales by End-Market**




**2020 Transportation Coatings Net Sales by Geography**




***Transportation Coatings End-Markets***

*Light Vehicle*

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

*Commercial Vehicle*

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

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

*Transportation Coatings Products and Brands*

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

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

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

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

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

*Transportation Coatings Sales, Marketing and Distribution*

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

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

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

*Transportation Coatings Customers*

We provide our products and services to light and commercial vehicle customers at over 200 assembly plants worldwide, including all of the top ten global automotive manufacturers. We have a stable customer base with several relationships dating back approximately 90 years and believe we are well positioned with the fastest growing OEMs in both the developed and emerging markets. Our top ten customers accounted for approximately 64% of our Transportation Coatings net sales during the year ended December 31, 2020.

*Transportation Coatings Competition*

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

**KEY RAW MATERIALS**

We use thousands of different raw materials, which fall into seven broad categories: liquid resins, powder resins, pigments, solvents, monomers, isocyanates and additives. On average, our total raw material spend represents between 40% and 50% of our cost of sales. We purchase raw materials from a diverse group of suppliers, with our top ten suppliers representing approximately 36% of our 2020 spending on raw materials.

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

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

**RESEARCH AND DEVELOPMENT**

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

We believe that we are a technology leader well positioned to benefit from continued industry shifts in customer needs. Our markets are among the most demanding in the coatings industry with high levels of product performance that continuously evolves, with increasing expectations for productivity on customer lines and with environmentally responsible products. Our technology development is led by a highly experienced and educated workforce that is focused on new product development, color development, technical customer support and improving our manufacturing processes. As such, our technology development covers two critical interrelated aspects for us, including research and development as well as technical support and manufacturing. In total, as of December 31, 2020, we have approximately 1,300 people dedicated to technology development. We operate four major technology centers throughout the world where we develop and align our technology investments with regional business needs complemented by approximately 30 regional laboratories which provide local connection to our global customer base. This includes our Global Innovation Center located in Philadelphia, Pennsylvania which opened in 2018 for global research, product development and technology initiatives.

**PATENTS, LICENSES AND TRADEMARKS**

As of December 31, 2020, we had a global portfolio of approximately 740 issued patents and more than 400 trademarks. We actively apply for and obtain U.S. and foreign patents and trademarks on new products and process innovations and as of December 31, 2020, approximately 220 patent applications were pending throughout the world.

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

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

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

**JOINT VENTURES**

At December 31, 2020 we were party to 8 joint ventures, of which three were focused on the industrial end-market, three were focused on the light vehicle end-market and two were focused on the refinish end-market. At December 31, 2020 we were the majority shareholder, and/or exercise control in our six consolidated joint ventures. Our fully consolidated joint venture-related net sales were $76.3 million, $254.7 million, and $315.6 million for the years ended December 31, 2020, 2019 and 2018, respectively. See Part I, Item 1A, "Risk Factors—Risks Related to our Business—Risks Related to Other Aspects of our Business—Our joint ventures may not operate according to our business strategy if our joint venture partners fail to fulfill their obligations".

**HUMAN CAPITAL RESOURCES**

Our success is realized through the engagement and commitment of our people. As of December 31, 2020, we had approximately 13,000 team members, including 11,800 employees and 1,200 contractors with 24% of our team members based in the U.S. and 76% based in international locations. Our workforce is distributed globally, with approximately 42% in the Americas, 38% in EMEA and 20% in Asia Pacific. Women make up approximately 24% of our professional and management employees globally.

Axalta's ability to attract, develop and retain highly skilled talent requires us to focus on the growth and well-being of each team member. As a global coatings manufacturer, we have a wide range of employees, including but not limited to management professionals, scientists, technicians, engineers, sales and customer service representatives, production, and supply chain employees. Given this variety, we tailor our human capital management policies with a view to specific employee populations and geographies.

We strive to provide a wide variety of opportunities for growth for our employees, including online trainings, on-the-job experience, education tuition assistance and financial counseling. We also aim to provide competitive compensation and benefits across all of our global locations. It's also important that we provide an environment that fosters inclusivity and embraces diversity where everyone feels they have a voice and their contributions are valued. We recognize that understanding the views, priorities and concerns of our people is an essential step in progressing our human capital efforts. In support of this, our first all employee engagement survey is planned to take place in 2021. Capturing the voice of our employees through this survey will provide actionable insights into the specific tools, processes, and other factors that enable our employees to perform at their best.

In addition, the health and well-being of our employees is foundational to Axalta's success. In 2020, we launched "Flex Your Work", a program that is intended to support the work-life balance of our office-based employees by allowing them to work from home up to two days a week. We are also committed to providing a workplace that enables team members to operate safely. Safety is ingrained in the way we do business and our safety program is structured on the foundation that every employee is engaged and committed to improving safe operating practices and eliminating injuries. When health and safety incidents do occur, we strive to determine the causes and eliminate the potential for future similar incidents. In 2020, Axalta's injury and illness performance resulted in a 0.14 OSHA Recordable Incident Rate, compared to the 2.5 OSHA Recordable Incident Rate for the Paint and Coating Manufacturing Industry (according to the US Bureau of Labor Statistics 2019 data). In addition, in response to the COVID-19 pandemic, we implemented additional safety protocols to ensure the health and safety of our employees, including social distancing requirements in our manufacturing facilities and remote work protocols for office-based employees.

The Compensation Committee of our Board of Directors has oversight of the Company's human capital management efforts. The Environment, Health, Safety and Sustainability Committee of our Board of Directors has oversight of the Company's policies to protect the health and safety of our employees and contractors, and this committee regularly reviews data on our safety metrics and performance.

We encourage you to visit the sustainability section, and other sections, of our website for more detailed information regarding our human capital resources, programs, and initiatives. Nothing on our website shall be deemed incorporated by reference into this Annual Report on Form 10-K.

## REGULATORY COMPLIANCE

Our business is subject to significant regulations in all of the markets that we operate and we are committed to operating our business in compliance with all applicable laws and regulations.

### *Environmental*

We are subject to applicable federal, state, local and foreign laws and regulations relating to environmental protection and workers' safety, including those required by the U.S. Environmental Protection Agency. Our Environment, Health, Safety ("EHS") and Sustainability policies and standards are a key element of the foundation upon which we develop, market, manufacture, and distribute products and services to our global customers. In 2017, we established a Board-level committee responsible for our EHS and Sustainability policies, performance, strategy and compliance matters. We operate our manufacturing facilities using a common set of internal standards. These standards support a consistent approach to EHS and Sustainability performance improvement. We strive to assure that all our manufacturing and distribution facilities are operated in compliance in all known material respects to applicable environmental requirements. Investigation, remediation and operation and maintenance costs associated with environmental compliance and management of sites are a normal recurring part of our operations. We do not expect outstanding remediation obligations to have a material impact on our financial position; the ultimate cost of remediation is subject to a number of variables and difficult to accurately predict. We may also incur significant additional costs as a result of contamination that is discovered and/or government required remediation obligations that are imposed at these or other properties in the future.

### *Non-U.S. Sales*

Our non-U.S. sales are subject to both U.S. and non-U.S. governmental regulations and procurement policies and practices, including regulations relating to import-export control, tariffs, investment, exchange controls, anti-corruption and repatriation of earnings. Non-U.S. sales are also subject to varying currency, political and economic risks.

### *Privacy Regulations*

We are also subject to and comply with increasingly complex privacy and data protection laws and regulations in the United States and other jurisdictions. This includes the European Union's General Data Protection Regulation ("GDPR"), which enforces rules relating to the protection of processing and movement of personal data. The interpretation and enforcement of such regulations are continuously evolving and there may be uncertainty with respect to how to comply with them. Noncompliance with GDPR and other data protection laws could result in damage to our reputation and payment of monetary penalties.

## WHERE YOU CAN FIND MORE INFORMATION

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

## ITEM 1A. RISK FACTORS

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

**Risks Related to our Business**

**Risks Related to Execution of our Strategic and Operating Plans**

***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.

As a result of such restrictions, during the year ended December 31, 2020, COVID-19 had a significant adverse impact on the demand for our products and, thus, our income from 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, the severity and duration of the virus, including novel strains, 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.

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

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

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

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

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

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

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

We have some customers that purchase a large amount of products from us and we are also reliant on distributors to assist us in selling our products. Our largest single customer accounted for approximately 6% of our 2020 net sales and our largest distributor accounted for approximately 1% of our 2020 net sales. Consolidation of any of our customers, including MSOs, distributors and body shops, could decrease our customer base and impact our results of operations if the resulting business seeks different sales terms or chooses to use one of our competitors for the consolidated business. The loss of any of our large customers or significant changes in their level of purchases, as a result of changes in business conditions, working capital levels, product requirements, consolidation or otherwise, could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

Our operating results are largely dependent on our development and management of our portfolio of current, new and developing products and services as well as our ability to bring those products and services to market. Difficulties or delays in product development, such as the inability to identify viable new products, successfully complete research and development, obtain relevant regulatory approvals, effectively manage our manufacturing process or costs, obtain intellectual property protection, or gain market acceptance of new products and services could have a material adverse effect on our business, financial condition and results of operations. Because of the lengthy and costly development process, technological challenges and intense competition, we cannot assure you that any of the products we are currently developing, or that we may develop in the future, will achieve commercial success. For example, in addition to developing technologically advanced products, commercial success of those products will depend on customer acceptance and implementation of those products. A failure to develop commercially successful products or to develop additional uses for existing products could materially adversely affect our business, financial results or results of operations. Further, sales of our new products could replace sales of some of our current products, offsetting the benefit of even a successful product introduction.

### Risks Related to our Global Operations

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

We conduct our business on a global basis, with approximately 64% of our 2020 net sales occurring outside the United States. We anticipate that international sales will continue to represent a substantial portion of our net sales and that our strategy for continued growth and profitability will entail further international expansion, particularly in emerging markets. Changes in local and regional economic conditions could affect product demand in our non-U.S. operations. Specifically, our financial results could be affected by changes in trade, monetary and fiscal policies, laws and regulations, or other activities of U.S. and non-U.S. governments, agencies and similar organizations. These conditions include, but are not limited to, changes in a country's or region's social, economic or political conditions, trade regulations affecting production, pricing and marketing of products, local labor conditions and regulations, reduced protection of intellectual property rights in some countries, changes in the regulatory or legal environment, restrictions on currency exchange activities, burdensome taxes and tariffs and other trade barriers, as well as the imposition of economic or other trade sanctions, each of which could impact our ability to do business in certain jurisdictions or with certain persons. For example, the U.S. government has taken actions or made proposals that are intended to address trade imbalances or perceived unfair trade practices, specifically with China, among other countries, which include encouraging increased production in the United States. These actions and proposals have resulted or could result in increased customs duties and the renegotiation of some U.S. trade agreements, as well as other retaliatory actions. As another example, new legislation known as the Worldwide Harmonized Light Vehicle Testing Procedure ("WLTP"), which requires all vehicles sold in Europe to comply with new fuel economy testing and carbon emissions standards, has and may continue to impact light vehicle production in Europe, which could result in reduced net sales and profitability.

Our day-to-day operations outside the United States are subject to cultural and language barriers and the need to adopt different business practices in different geographic areas. We also must communicate and monitor standards and directives across our global operations. Our failure to successfully manage our geographically diverse operations could impair our ability to react quickly to changing business and market conditions and to enforce compliance with non-U.S. standards and procedures.

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

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

### Risks Related to Legal and Regulatory Compliance and Litigation

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

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

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

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

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

We are subject to trade and economic sanctions laws and other restrictions on international trade. The U.S. and other governments and their agencies impose sanctions and embargoes on certain countries, their governments, regions within countries and designated parties. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial measures and legal expenses, which could adversely affect our business, financial condition and results of operations. Although we have implemented trade-related policies and procedures and provide training on these matters, we cannot assure you that such policies, procedures and training will effectively prevent violations, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations.

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

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

We are subject to various laws and regulations around the world governing the protection of the environment and health and safety, including the discharge of pollutants to air and water and the management and disposal of hazardous substances. These laws and regulations not only govern our current operations and products, but also impose potential liability on us for our or our predecessors' past operations. We could incur fines, penalties and other sanctions as a result of violations of such laws and regulations. In addition, as a result of our operations and/or products, including our past operations and/or products related to our businesses prior to the acquisition of DuPont Performance Coatings ("DPC"), a business formerly owned by E. I. du Pont de Nemours and Company ("DuPont"), including certain assets of DPC and all of the capital stock and other equity interests of certain entities engaged in the DPC business (the "Acquisition"), we could incur substantial costs, including costs relating to remediation and restoration activities and third-party claims for property damage or personal injury. The ultimate costs under environmental laws and the timing of these costs are difficult to accurately predict. Our accruals for costs and liabilities at sites where contamination is being investigated or remediated may not be adequate because the estimates on which the accruals are based depend on a number of factors, including the nature of the matter, the complexity of the site, site geology, the nature and extent of contamination, the type of remedy, the outcome of discussions with regulatory agencies and, at multi-party sites, other Potentially Responsible Parties ("PRPs") and the number and financial viability of other PRPs.

Additional contamination may also be identified, and/or additional cleanup obligations may be incurred, at these or other sites in the future. For example, periodic monitoring or investigation activities are ongoing at a number of our sites where contaminants have been detected or are suspected, and we may incur additional costs if more active or extensive remediation is required. In addition, in connection with the Acquisition, DuPont has, subject to certain exceptions and exclusions, agreed to indemnify us for certain liabilities relating to environmental remediation obligations and certain claims relating to the exposure to hazardous substances and products manufactured prior to our separation from DuPont. We could incur material additional costs if DuPont fails to meet its obligations, if the indemnification proves insufficient or if we otherwise are unable to recover costs associated with such liabilities. The costs of our current operations, complying with complex environmental laws and regulations, as well as internal voluntary programs, are significant and will continue to be so for the foreseeable future as environmental regulations become more stringent. We cannot predict the impact that changing climate conditions or more frequent and severe weather events, if any, will have on our business, results of operations or financial condition. Moreover, we cannot predict how legal, regulatory and social responses to concerns about global climate change will impact our business.

***We transport certain materials that are inherently hazardous due to their toxic nature.***

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

***Our results of operations could be adversely affected by litigation and claims.***

We face risks arising from various litigation matters and other claims that have been asserted against us or that may be asserted against us in the future, including, but not limited to, claims for product liability, patent and trademark infringement, antitrust, warranty, contract and third-party property damage or personal injury, including claims arising from the matters described in Note 6 to our consolidated financial statements included elsewhere in the Annual Report on Form 10-K. For instance, we have noted a nationwide trend in purported class actions against chemical manufacturers generally seeking relief such as medical monitoring, property damages, off-site remediation and punitive damages arising from alleged environmental torts without claiming present personal injuries. We have also noted a trend in public and private nuisance suits being filed on behalf of states, counties, cities and utilities alleging harm to the general public. In addition, various factors or developments can lead to changes in current estimates of liabilities such as a final adverse judgment, significant settlement or changes in applicable law. A future adverse ruling or unfavorable development could result in future charges that could have a material adverse effect on us. An adverse outcome in any one or more of these matters could be material to our business, financial condition and results of operations. In particular, product liability claims, regardless of their merits, could be costly, divert management’s attention and adversely affect our reputation and demand for our products.

**Risks Related to Human Resources**

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

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

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

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

Many of our employees globally are in unions or otherwise covered by labor agreements, including works councils. As of December 31, 2020, approximately 0.2% of our U.S. workforce was unionized and approximately 53% of our workforce outside the U.S. was unionized or otherwise covered by labor agreements. Consequently, we may be subject to potential union campaigns, work stoppages, union negotiations and other potential labor disputes. Additionally, negotiations with unions or works councils in connection with existing labor agreements may result in significant increases in our cost of labor, limit our ability to restructure our operations, divert management’s attention away from operating our business or break down and result in the disruption of our operations. The occurrence of any of the preceding outcomes could impair our ability to manufacture our products and result in increased costs and/or decreased operating results. Further, we may be impacted by work stoppages at our suppliers or customers that are beyond our control.

**Risks Related to Intellectual Property**

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

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

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

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

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

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

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

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

**Risks Related to Other Aspects of our Business**

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

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

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

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

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

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

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

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

**Risks Related to our Indebtedness**

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

As of December 31, 2020, we had approximately $3.9 billion of indebtedness on a consolidated basis. As of December 31, 2020, we were in compliance with all of the covenants under our outstanding debt instruments. We are more leveraged than some of our competitors, which could adversely affect our business plans.

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

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

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

Our operations are conducted through our subsidiaries and our ability to make cash payments on our indebtedness will depend on the earnings and the distribution of funds from our subsidiaries. Our ability to make cash payments on and refinance our debt obligations, to fund planned capital expenditures and to meet other cash requirements will depend on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to financial, business, legislative, regulatory and other factors beyond our control. We might not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

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

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

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

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

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

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

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

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

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

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

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

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

Difficult global economic conditions, including significant volatility in the capital, credit and commodities markets, low levels of business and consumer confidence and high levels of unemployment in certain parts of the world, could have a material adverse effect on our financial portion, results of operations and cash flows. The difficult conditions in these markets and the overall economy affect our business in a number of ways. For example:

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

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

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

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

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

A substantial portion of our indebtedness bears interest at variable rates, including LIBOR, which is the subject of recent proposals for reform. On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. Subsequent plans have been announced to consult on possibly extending the transition date to June 2023, although the U.S. Federal Reserve has issued statements advising banks to stop new LIBOR issuances by the end of 2021. It is unclear at this time when LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021, June 2023 or the date that it is ultimately phased out. There is currently no definitive information regarding the future utilization of LIBOR or of any particular replacement rate. As such, the potential effect of any such event on our cost of debt cannot yet be determined. These consequences cannot be reliably predicted and any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the value of any LIBOR-linked instruments and other financial obligations or extensions of credit held by or due to us and could have a material adverse effect on our business, financial condition and results of operations.

**Risks Related to Ownership of our Common Shares**

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

Our operations are conducted almost entirely through our subsidiaries and our ability to generate cash to meet our debt service obligations or to make future dividend payments, if any, is highly dependent on the earnings and the receipt of funds from our subsidiaries in the form of dividends, loans or advances and through repayment of loans or advances from us. Payments to us by our subsidiaries and joint ventures will be contingent upon our subsidiaries’ or joint ventures’ earnings and other business considerations and may be subject to statutory or contractual restrictions. In addition, there may be significant tax and other legal restrictions on the ability of foreign subsidiaries or joint ventures to remit money to us. Any payment of distributions, loans or advances to and from our subsidiaries could be subject to restrictions on or taxation of, dividends or repatriation of earnings under applicable local law, monetary transfer restrictions, foreign currency exchange regulations in the jurisdictions in which our subsidiaries operate or other restrictions imposed by current or future agreements, including debt instruments, to which our non-U.S. subsidiaries may be a party. In particular, our operations in Brazil, China and India where we maintain local currency cash balances are subject to import authorization or pricing controls.

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

Volatility in the market price of our common shares may prevent you from being able to sell your common shares at or above the price you paid for your common shares. The market price of our common shares could fluctuate significantly for various reasons, including the realization of any risks described under this “Risk Factors” section.

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

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

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

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

We and our shareholders may sell additional common shares in subsequent offerings. We may also issue additional common shares or convertible debt securities. As of February 11, 2021, we had 1,000,000,000 common shares authorized and 233,968,021 common shares outstanding.

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

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

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

***Bermuda law differs from the laws in effect in the U.S. and may afford less protection to our shareholders.***

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

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

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

Our bye-laws contain provisions that could make it more difficult for a third party to acquire us without the consent of our Board of Directors, including that directors may only be removed for cause and our Board of Directors can determine the powers, preferences and rights of our preference shares and to issue the preference shares without shareholder approval.

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

**General Risk Factors**

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

We are executing on a number of growth initiatives, strategies and operating plans designed to enhance our business, including productivity enhancements and cost reduction. The anticipated benefits from these efforts are based on several assumptions that may prove to be inaccurate. A variety of risks could cause us not to realize some or all of the expected benefits, including growth and cost savings. These risks include, among others, delays in the anticipated timing of activities related to such growth initiatives, strategies and operating plans; increased difficulty and cost in implementing these efforts; and the incurrence of other unexpected costs associated with operating the business. Further, our continued implementation of these programs may disrupt our operations and performance. As a result, we cannot assure you that we will realize these benefits. If, for any reason, the benefits we realize are less than our estimates or the implementation of these growth initiatives, strategies and operating plans adversely affect our operations or cost more or take longer to effectuate than we expect, or if our assumptions prove inaccurate, our results of operations may be materially adversely affected.

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

As described in greater detail in the "Performance Coatings Competition" section on page 7 and the "Transportation Coatings Section" on page 9, we face substantial competition from many international, national, regional and local competitors of various sizes in the manufacturing, distribution and sale of our coatings and related products. Our inability to compete successfully could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

***Interruption, interference with, or failure of our information technology and communications systems could hurt our ability to effectively provide our products and services, which could harm our reputation, financial condition, and operating results.***

The availability of our products and services and fulfillment of our customer obligations depend on the continuing operation of our information technology and communications systems. Our systems are vulnerable to damage, interference, or interruption from modifications or upgrades, terrorist attacks, natural disasters or pandemics (including COVID-19), power loss, telecommunications failures, user errors, computer viruses, ransomware attacks, computer denial of service attacks, phishing schemes, or other attempts to harm or access our systems. Some of our systems are not fully redundant, and disaster recovery planning cannot account for all eventualities. Any such event relating to our systems (or the systems of third parties that we rely on), could result in theft, misuse, modification or destruction of information, including trade secrets and confidential business information, and cause business disruptions, including those that may disrupt production at our manufacturing facilities, reputational damage and third-party claims, any of which could have a material adverse effect on our business, financial condition or results of operations.

Since the techniques used to obtain unauthorized access to systems or to otherwise sabotage them, change frequently and are often not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. As these threats continue to evolve, particularly around cybersecurity, we may be required to expend significant resources to enhance our control environment, processes, practices, and other countermeasures. While we have designed and implemented controls to restrict access to our data and information technology infrastructure, it is still vulnerable to unauthorized access through cyber attacks, theft and other security breaches. These types of attacks have occurred against our systems from time to time, with no material adverse impacts to date. We expect these attacks to continue and our protective measures may not be adequate to ensure that our operations will not be disrupted, should another such event occur in the future. Although we continually seek to improve our countermeasures to prevent such events, we may be unable to anticipate every scenario and it is possible that certain cyber threats or vulnerabilities will be undetected or unmitigated in time to prevent an attack on us and our customers.

In addition, we rely extensively on information systems and technology to manage our business and summarize operating results. We are in the process of a multi-year implementation of a new ERP system, which will replace much of our existing core financial systems. The ERP system is designed to accurately maintain our financial records, enhance the flow of financial information, improve data management, and provide timely information to our management team. We may not be able to successfully implement the ERP system without experiencing delays, increased costs, and other difficulties. Failure to successfully design and implement the new ERP system as planned could harm our business, financial condition, and operating results. Additionally, if we do not effectively implement the ERP system as planned or the ERP system does not operate as intended, the effectiveness of our internal control over financial reporting could be negatively affected.

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

Our future success depends on our ability to attract, retain, develop and motivate highly skilled personnel. We must have talented personnel to succeed and competition for management and skilled employees in our industry is intense. Our ability to meet our performance goals depends upon the personal efforts and abilities of our management and skilled employees. We cannot assure you that we will retain or successfully recruit senior management, or that their services will remain available to us.

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

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

***We are subject to complex and evolving data privacy laws.***

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

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

We are subject to taxes in the U.S. and non-U.S. jurisdictions where our subsidiaries are organized. Due to economic and political conditions, tax rates, tax laws and other non-tax legislation, such as economic substance regulations, in various jurisdictions may be subject to significant change. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in available tax credits or tax deductions and changes in tax and other non-tax laws or their interpretation, such as interpretations as to the legality of tax advantages granted under the EU state aid rules and the impacts of the U.S. Tax Cuts and Jobs Act ("TCJA"). Additionally, we and our subsidiaries are engaged in a number of intercompany transactions across multiple tax jurisdictions. Although we believe we have clearly reflected the economics of these transactions and the proper local transfer pricing documentation is in place, tax authorities may propose and sustain adjustments that could result in changes that may impact our mix of earnings in countries with differing statutory tax rates.

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

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

Our corporate headquarters is located in Philadelphia, PA. Our extensive geographic footprint is comprised of 46 manufacturing facilities (including six manufacturing sites operated by our joint ventures), four major technology centers and 53 customer training centers supporting our global operations. The table below presents summary information regarding our facilities as of December 31, 2020.

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

| Type of Facility/Country | Location | Segment |
| --- | --- | --- |
| Malaysia | Kuala Lumpur | Performance |
| | Shah Alam | Performance |
| Thailand | Bangplee | Performance; Transportation |
| ***Joint Venture Manufacturing Facilities*** | | |
| Colombia | Cartagena de Indias | Performance |
| Indonesia | Cikarang | Performance |
| Taiwan | Taipei | Transportation |
| Guatemala | Amatitlan | Performance |
| ***Joint Venture Partner Manufacturing Facilities*** | | |
| South Africa | Port Elizabeth | Transportation |
| Russia | Moscow | Transportation |
| ***Technology Centers*** | | |
| China | Shanghai | Performance; Transportation |
| Germany | Wuppertal | Performance; Transportation |
| United States of America | Mt. Clemens, MI | Performance; Transportation |
| | Philadelphia, PA | Performance; Transportation |

| ***Customer Training Centers*** | **Location by Region** | **Number of Facilities** |
| --- | --- | --- |
| | North America | 14 |
| | Latin America | 2 |
| | EMEA | 18 |
| | Asia Pacific | 19 |

**ITEM 3. LEGAL PROCEEDINGS**

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

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

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

### Share Information

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

As of February 11, 2021, there were 5 registered holders of record of Axalta's common stock as shown on the records of the Company's transfer agent. A substantially greater number of holders of Axalta common stock are "street name" or beneficial holders, whose shares of record are held by banks, brokers and other financial institutions.

### Recent Sales of Unregistered Securities

None.

### Issuer Purchases of Equity Securities

The following table summarizes the Company's share repurchase activity through its share repurchase program for the three months ended December 31, 2020:

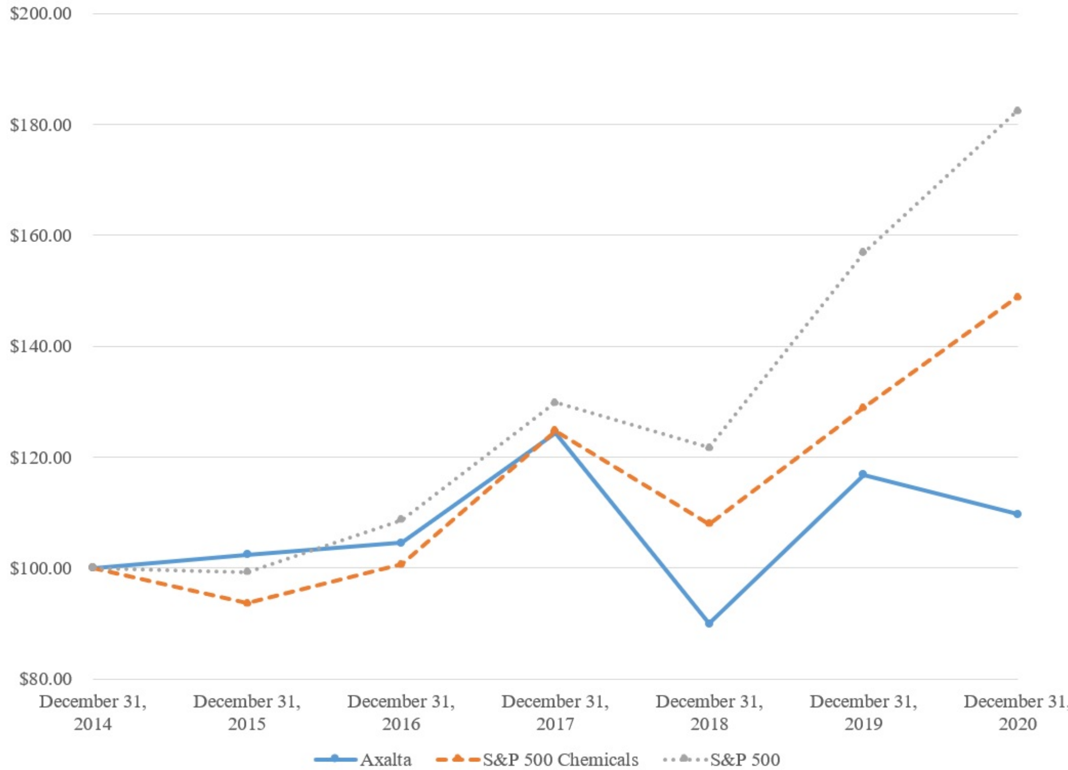
**(in millions, except per share data)**

| Month | Total Number of Shares Purchased(1) | Average Price Paid per Share(1) | Total Number of Shares Purchased as Part of Publicly Announced Programs(1) | Approximate Dollar Value of Shares That May Yet Be Purchased Under Our Share Repurchase Program(1) |
|---|---|---|---|---|
| October 2020 | — | $ — | — | $ — |
| November 2020 | — | — | — | — |
| December 2020 | 0.9 | 28.69 | 0.9 | 341.5 |
| **Total** | **0.9** | **$ 28.69** | **0.9** | **$ 341.5** |

(1) Shares were repurchased through the $675.0 million share repurchase program announced in March 2017. We repurchased $25.0 million of our common shares during the three months ended December 31, 2020 and $308.5 million in prior periods. At December 31, 2020, the Company had remaining authorization to repurchase $341.5 million of shares. There is no expiration date on the share repurchase program.

**Stock Performance**

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



## ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial data and other information of Axalta and should be read in conjunction with “Management's Discussion and Analysis of Financial Condition and Results of Operations” and our audited consolidated financial statements and the related notes included elsewhere in this Form 10-K. The selected consolidated financial data for the years ended December 31, 2020, 2019 and 2018 and as of December 31, 2020 and 2019 are derived from our audited financial statements included elsewhere in this Form 10-K. The selected consolidated financial data for the years ended December 31, 2017 and 2016 and as of December 31, 2018, 2017 and 2016 are derived from our audited financial statements not included in this Form 10-K.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| **(In millions, except per share data)** | **2020** | **2019** | **2018** | **2017** | **2016** |
| **Statements of Operations Data:** | | | | | |
| Net sales | $ 3,737.6 | $ 4,482.2 | $ 4,696.0 | $ 4,377.0 | $ 4,092.7 |
| Cost of goods sold | 2,457.9 | 2,917.9 | 3,106.3 | 2,780.5 | 2,528.8 |
| Selling, general and administrative expenses | 695.0 | 822.1 | 876.4 | 934.7 | 881.5 |
| Other operating charges | 110.8 | 70.7 | 82.7 | 131.6 | 136.2 |
| Research and development expenses | 55.2 | 70.2 | 73.1 | 65.3 | 57.7 |
| Amortization of acquired intangibles | 113.2 | 113.1 | 115.4 | 101.2 | 83.4 |
| Income from operations | 305.5 | 488.2 | 442.1 | 363.7 | 405.1 |
| Interest expense, net | 149.9 | 162.6 | 159.6 | 147.0 | 178.2 |
| Other expense (income), net | 33.4 | (4.4) | 15.0 | 27.1 | 144.2 |
| Income before taxes | 122.2 | 330.0 | 267.5 | 189.6 | 82.7 |
| Provision for income taxes | 0.2 | 77.4 | 54.2 | 141.9 | 38.1 |
| Net income | 122.0 | 252.6 | 213.3 | 47.7 | 44.6 |
| Less: Net income attributable to noncontrolling interests | 0.4 | 3.6 | 6.2 | 11.0 | 5.8 |
| Net income attributable to controlling interests | $ 121.6 | $ 249.0 | $ 207.1 | $ 36.7 | $ 38.8 |
| Per share data: | | | | | |
| Net income per share: | | | | | |
| Basic net income per share | $ 0.52 | $ 1.06 | $ 0.87 | $ 0.15 | $ 0.16 |
| Diluted net income per share | $ 0.52 | $ 1.06 | $ 0.85 | $ 0.15 | $ 0.16 |
| Basic weighted average shares outstanding | 235.2 | 233.9 | 239.0 | 240.4 | 238.1 |
| Diluted weighted average shares outstanding | 236.0 | 235.8 | 242.9 | 246.1 | 244.4 |
| | | | | | |
| **Other Financial Data:** | | | | | |
| Cash flows from: | | | | | |
| Operating activities | $ 509.3 | $ 573.1 | $ 496.1 | $ 540.0 | $ 559.3 |
| Investing activities | (61.5) | (93.9) | (189.2) | (689.6) | (257.0) |
| Financing activities | (130.9) | (158.4) | (368.2) | 367.3 | (232.6) |
| Depreciation and amortization | 320.3 | 353.0 | 369.1 | 347.5 | 322.1 |
| Purchases of property, plant and equipment | (82.1) | (112.5) | (143.4) | (125.0) | (136.2) |

| | December 31, | | | | |
|---|---|---|---|---|---|
| **(In millions)** | **2020** | **2019** | **2018** | **2017** | **2016** |
| **Balance sheet data (1):** | | | | | |
| Cash and cash equivalents | $ 1,360.9 | $ 1,017.5 | $ 693.6 | $ 769.8 | $ 535.4 |
| Working capital (2) | 1,745.0 | 1,500.5 | 1,269.0 | 1,233.4 | 977.9 |
| Total assets | 7,157.2 | 6,818.0 | 6,675.7 | 6,832.2 | 5,866.2 |
| Indebtedness | 3,892.7 | 3,834.1 | 3,864.0 | 3,915.6 | 3,263.9 |
| Total liabilities | 5,677.4 | 5,408.4 | 5,365.2 | 5,424.4 | 4,619.6 |
| Total shareholders’ equity | 1,479.8 | 1,409.6 | 1,310.5 | 1,407.8 | 1,246.6 |
| Cash dividends declared per common share | — | — | — | — | — |

(1) Balance sheet data as of December 31, 2020 and 2019 reflects the adoption of Accounting Standards Update ("ASU") 2016-02, "Leases", which requires balance sheet recognition of lease assets and liabilities which were not recognized on the balance sheet as of December 31, 2018, 2017 and 2016.

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

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

*This discussion and analysis deals with comparisons of material changes in the consolidated financial statements for 2020 and 2019. For the comparison of 2019 and 2018, see the Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of our 2019 Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 19, 2020.*

### FORWARD-LOOKING STATEMENTS

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

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

### OVERVIEW

We are a leading global manufacturer, marketer and distributor of high performance coatings systems and products. 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 and services 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 16.6% for the year ended December 31, 2020 compared with the year ended December 31, 2019, driven by a decrease in volumes of 15.7% as a result of demand largely due to COVID-19 impacts on our business. The decrease in volumes is inclusive of negative impacts of portfolio changes of 0.6% associated with the prior year sale of a consolidated joint venture. Further contributing to the decrease was slightly lower average selling price due to product mix as well as impacts of unfavorable currency translation of 0.8%. The following trends have impacted our segment and end-market sales performance:

- *Performance Coatings:* Net sales decreased 13.9% compared to 2019 driven primarily by a decrease in volumes of 13.0% 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 0.9% associated with the sale of our consolidated powder joint venture in China. Furthering the decrease during the period were the impacts of unfavorable foreign currency translation of 0.2%, as well as a 0.7% decrease from lower average selling prices resulting primarily from a change in product mix in the refinish end-market.
- *Transportation Coatings:* Net sales decreased by 21.7% compared to 2019 driven primarily by a decrease in volumes of 20.8% as a result of customer shutdowns caused by COVID-19, as well as the impacts of unfavorable foreign currency translation of 2.0%. Partially offsetting the decline in volumes and foreign currency headwinds during the year was an increase of 1.1% from increased average selling prices and product mix across both end-markets.

Our business serves four end-markets globally with net sales for the years ended December 31, 2020 and 2019 as follows:

| (In millions) | Year Ended December 31, | | 2020 vs 2019 |
|---|---|---|---|
| | 2020 | 2019 | % change |
| **Performance Coatings** | | | |
| Refinish | $ 1,449.0 | $ 1,760.4 | (17.7)% |
| Industrial | 1,067.4 | 1,163.0 | (8.2)% |
| Total Net sales Performance Coatings | 2,516.4 | 2,923.4 | (13.9)% |
| **Transportation Coatings** | | | |
| Light Vehicle | 960.5 | 1,208.4 | (20.5)% |
| Commercial Vehicle | 260.7 | 350.4 | (25.6)% |
| Total Net sales Transportation Coatings | 1,221.2 | 1,558.8 | (21.7)% |
| Total Net sales | $ 3,737.6 | $ 4,482.2 | (16.6)% |

*Coronavirus (COVID-19) Pandemic*

During the year ended December 31, 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 affected our results globally. We have seen improvements as countries began reopening and are continuing to maintain a cautious outlook as certain countries have experienced incremental pandemic-driven restrictions in the second half of the fourth quarter. 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 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 have seen sequential improvements in customer demand since May, including significantly increased profitability in the second half of the year; however, if the global pandemic continues or evolves, 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 required by governmental authorities, we shut down certain manufacturing operations in regions around the world in April and May 2020. As of December 31, 2020 all of our manufacturing sites are currently open, and we have taken steps to enhance safety standards in place to protect our workers. The periods of reduced production levels did create a significant adverse impact on our results of operations for the year ended December 31, 2020; however, this is not expected to be sustained into 2021, given continued recovery seen across our business. 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.

From a liquidity standpoint, we had $1,360.9 million of cash and cash equivalents and $366.0 million of available borrowing capacity under our Senior Secured Credit Facilities as of December 31, 2020. We have no outstanding borrowings on the Revolving Credit Facility as of December 31, 2020 and, therefore, are not currently subject to any financial covenants under the Senior Secured Credit Facilities.

*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.

During November 2020, we issued $700.0 million in aggregate principal amount of 3.375% Senior Notes due 2029, from which the net proceeds, together with cash on hand, were used to redeem $500.0 million aggregate principal amount of the 4.875% Senior Notes due 2024 and €335.0 million aggregate principal amount of the 4.250% Senior Notes due 2024, as well as to pay related redemption premiums and transaction costs. In conjunction with the November issuance, we entered into cross-currency swaps with aggregate notional amounts totaling $396.3 million at a weighted average interest rate of 2.15%.

During the year ended December 31, 2020, we repurchased 0.9 million shares for total consideration of $25.0 million as we continue to execute against our previously approved share repurchase program.

See Note 18 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K 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**

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

*Net sales*

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

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

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

*Cost of goods sold ("cost of sales")*

Our cost of sales consists principally of the following:

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

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

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

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

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

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

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

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

*Other operating charges*

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

*Research and development expenses*

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

*Interest expense, net*

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

*Other expense (income), net*

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

*Provision for income taxes*

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

**RESULTS OF OPERATIONS**

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

***Net sales***

| | Years Ended December 31, | | 2020 vs 2019 | |
|---|---|---|---|---|
| | 2020 | 2019 | $ Change | % Change |
| Net sales | 3,737.6 | 4,482.2 | $ (744.6) | (16.6)% |
| Volume effect | | | | (15.1)% |
| Impact of portfolio changes | | | | (0.6)% |
| Price/Mix effect | | | | (0.1)% |
| Exchange rate effect | | | | (0.8)% |

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 the associated impact on collision repairs and accelerated industrial slowdown primarily as a result of COVID-19 impacts
- Unfavorable impacts of currency translation, due primarily to the weakening of the Brazilian Real and Mexican Peso, partially offset by the strengthening of the Euro, 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 resulting primarily from a change in product mix in refinish, largely offset by an increase across both end-markets within the Transportation Coatings segment, primarily within light vehicle

***Cost of sales***

| | Years Ended December 31, | | 2020 vs 2019 | |
|---|---|---|---|---|
| | 2020 | 2019 | $ Change | % Change |
| Cost of sales | $ 2,457.9 | $ 2,917.9 | $ (460.0) | (15.8)% |
| % of net sales | 65.8 % | 65.1 % | | |

Cost of sales decreased due to the following:

- Lower sales volumes across both segments and all regions as a result of COVID-19 impacts
- Reduction in costs due to operational efficiencies associated with our temporary cost savings initiatives, including decreased compensation related expenses, mostly associated with COVID-19 related cost reduction actions
- Decreased variable input costs 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
- Decrease in depreciation expense for operating equipment
- Favorable impacts of currency translation, due primarily to the weakening of the Brazilian Real and Mexican Peso, partially offset by the strengthening of the Euro, compared to the U.S. dollar

Partially offset by:

- Increased expenses of $35.3 million associated with reduced utilization at certain manufacturing sites and $9.3 million associated with inventory reserves, primarily in the second quarter of 2020

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 temporary cost savings initiatives, including decreased compensation related expenses associated with COVID-19 related cost reduction actions

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

| | Years Ended December 31, | | 2020 vs 2019 | |
|---|---|---|---|---|
| | 2020 | 2019 | $ Change | % Change |
| Selling, general and administrative expenses | $ 695.0 | $ 822.1 | $ (127.1) | (15.5)% |

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

- Reduction in costs due to operational efficiencies associated with our temporary cost savings initiatives, including decreased compensation-related expenses associated with COVID-19 related cost reduction actions
- Decline in third-party commissions and sales incentive compensation driven by a 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, due primarily to the weakening of the Brazilian Real and Mexican Peso, partially offset by the strengthening of the Euro, compared to the U.S. dollar

Partially offset by:

- Increased reserves for trade receivables of $6.2 million to $11.7 million from $5.5 million in 2019, primarily due to impacts from COVID-19

***Other operating charges***

| | Years Ended December 31, | | 2020 vs 2019 | |
|---|---|---|---|---|
| | 2020 | 2019 | $ Change | % Change |
| Other operating charges | $ 110.8 | $ 70.7 | $ 40.1 | 56.7 % |

Other operating charges increased due to the following:

- Increase in termination benefits and other employee related costs associated with our cost saving initiatives of $39.7 million from $35.2 million in the prior year to $74.9 million in the current year
- Increased expenses of $17.3 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 $13.4 million in the prior year to $30.7 million in the current year

Partially offset by:

- Decreased divestiture and impairment charges of $16.2 million from $21.1 million in the prior year to $4.9 million in the current year, primarily driven by charges recorded in 2019 in China related to the abandonment of engineering work for aspects of our China footprint project which was adjusted due to evolving market conditions

***Research and development expenses***

| | Years Ended December 31, | | 2020 vs 2019 | |
|---|---|---|---|---|
| | 2020 | 2019 | $ Change | % Change |
| Research and development expenses | $ 55.2 | $ 70.2 | $ (15.0) | (21.4)% |

Research and development expenses decreased due to the following:

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

***Amortization of acquired intangibles***

| | Years Ended December 31, | | 2020 vs 2019 | |
|---|---|---|---|---|
| | 2020 | 2019 | $ Change | % Change |
| Amortization of acquired intangibles | $ 113.2 | $ 113.1 | $ 0.1 | 0.1 % |

Amortization of acquired intangibles increased modestly due to the following:

- Fluctuations of foreign currency exchange rates during the year, primarily related to the Euro compared to the U.S. dollar

***Interest expense, net***

| | Years Ended December 31, | | 2020 vs 2019 | |
|---|---|---|---|---|
| | 2020 | 2019 | $ Change | % Change |
| Interest expense, net | $ 149.9 | $ 162.6 | $ (12.7) | (7.8)% |

Interest expense, net decreased primarily due to the following:

- Decrease in average interest rates due to LIBOR decreases on our variable rate debt over the comparable period as well as lower interest rate on the 2029 Senior Notes issued in November 2020
- Decrease in principal due to the voluntary prepayment of $300.0 million on our 2024 Dollar Term Loans in January 2020, and the redemption of our $500.0 million 2024 Dollar Senior Notes and €335 million 2024 Euro Senior Notes in connection with the November 2020 refinancing

Partially offset by:

- Increase in principal from our November refinancing, resulting in the issuance of $500.0 million and $700.0 million aggregate principal amount of the 2027 Dollar Senior Notes and 2029 Dollar Senior Notes, respectively
- Decreases in the benefits from our derivative instruments as a result of LIBOR decreases

***Other expense (income), net***

| | Years Ended December 31, | | 2020 vs 2019 | |
|---|---|---|---|---|
| | 2020 | 2019 | $ Change | % Change |
| Other expense (income), net | $ 33.4 | $ (4.4) | $ 37.8 | (859.1)% |

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

- Debt extinguishment and refinancing related costs of $34.4 million in the current year, driven primarily by redemption and transactional costs associated with the November 2020 redemption of our 2024 Senior Notes, as well as the write-off of unamortized deferred financing costs and original issue discounts due to the November redemption and the voluntary prepayment of $300.0 million of outstanding principal on our 2024 Dollar Term Loans in January 2020.

***Provision for income taxes***

| | Years Ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Income before income taxes | $ 122.2 | $ 330.0 |
| Provision for income taxes | 0.2 | 77.4 |
| Statutory U.S. Federal income tax rate | 21.0 % | 21.0 % |
| Effective tax rate | 0.2 % | 23.5 % |
| Effective tax rate vs. statutory U.S. Federal income tax rate | (20.8)% | 2.5 % |

| | (Favorable) Unfavorable Impact | |
|---|---|---|
| **Items impacting the effective tax rate vs. statutory U.S. federal income tax rate** | 2020 | 2019 |
| Earnings generated in jurisdictions where the statutory rate is lower than the U.S. Federal rate (1) | $ (13.9) | $ (16.3) |
| Changes in valuation allowance | 10.0 | 18.8 |
| Foreign exchange gain (loss), net | 8.2 | (2.8) |
| Stock-based compensation excess tax benefits | (0.3) | (11.4) |
| Non-deductible expenses and interest | 4.6 | 4.1 |
| Increase in unrecognized tax benefits (2) | 54.9 | 11.2 |
| Intra-entity asset transfer (3) | (50.8) | — |
| Foreign taxes (4) | 7.0 | 21.4 |
| Other - net (5) | (42.7) | (23.9) |

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

(2) In 2020 we recorded charges of $14.3 million in connection with the income tax audit in Germany and $27.3 million in the Netherlands related to realized exchange gain. The Netherlands item is fully offset by a tax benefit of $27.3 million recorded in 2020 to adjust to the prior year tax filing position.

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

(4) In 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.

(5) In 2020, the Company recorded a tax benefit of $41.8 million in the Netherlands, of which $27.3 million is related to realized exchange gain and $14.5 million related to rate change on deferred taxes, which are both fully offset by a tax expense of $27.3 million for the increase to unrecognized tax benefits and $14.5 million for an increase to the valuation allowance, respectively. In 2019, The Company recorded a tax benefit of $24.9 million in Luxembourg related to a local statutory impairment, which is fully offset by a tax expense of $24.9 million for the increase to the valuation allowance.

## SEGMENT RESULTS

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

***Performance Coatings Segment***

**Net sales**

| | Years Ended December 31, | | 2020 vs 2019 | |
|---|---|---|---|---|
| | 2020 | 2019 | $ Change | % Change |
| Net sales | $ 2,516.4 | $ 2,923.4 | $ (407.0) | (13.9)% |
| Volume effect | | | | (12.1)% |
| Impact of portfolio changes | | | | (0.9)% |
| Price/Mix effect | | | | (0.7)% |
| Exchange rate effect | | | | (0.2)% |

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 the associated impact on collision repairs and industrial production due to COVID-19
- Organic volumes rebounded in the second half of the year; however, were still below prior year by 5.1%, driven by the Industrial end-market which had an increase of 3.1% versus the prior year comparable period
- 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 across both end-markets, primarily driven by a change in product mix sold in refinish
- Unfavorable impacts of currency translation, due primarily to the weakening of the Brazilian Real, Mexican Peso and Turkish Lira, partially offset by the strengthening of the Euro, compared to the U.S. dollar

**Adjusted EBIT**

| | Years Ended December 31, | | 2020 vs 2019 | |
|---|---|---|---|---|
| | 2020 | 2019 | $ Change | % Change |
| Adjusted EBIT | $ 344.3 | $ 449.1 | $ (104.8) | (23.3)% |
| Adjusted EBIT Margin | 13.7 % | 15.4 % | | |

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 and lower industrial production due to COVID-19
- Lower average selling prices due to 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

Partially offset by:

- Lower operating expenses across both end-markets and all regions, resulting from operational efficiencies associated with our temporary 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

Adjusted EBIT margins decreased during the year due to the following:

- Lower organic volumes in the first half of the year primarily due to COVID-19, largely offset by volume recoveries in the second half of the year combined with lower operating expenses and variable input costs

***Transportation Coatings Segment***

**Net Sales**

| | Years Ended December 31, | | 2020 vs 2019 | |
|---|---|---|---|---|
| | 2020 | 2019 | $ Change | % Change |
| Net sales | $ 1,221.2 | $ 1,558.8 | $ (337.6) | (21.7)% |
| Volume effect | | | | (20.8)% |
| Price/Mix effect | | | | 1.1 % |
| Exchange rate effect | | | | (2.0)% |

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
- Organic volumes rebounded in the second half of the year; however, were still below prior year by 4.4%, driven by a strong recovery in light vehicle production at OEMs
- Unfavorable impacts of currency translation, due primarily to the weakening of the Brazilian Real compared to the U.S. dollar

Partially offset by:

- Higher average selling prices across both end-markets and all regions except North America, which has remained stable, primarily driven by light vehicle

**Adjusted EBIT**

| | Years Ended December 31, | | 2020 vs 2019 | |
|---|---|---|---|---|
| | 2020 | 2019 | $ Change | % Change |
| Adjusted EBIT | $ 82.9 | $ 137.4 | $ (54.5) | (39.7)% |
| Adjusted EBIT Margin | 6.8 % | 8.8 % | | |

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
- Unfavorable impacts of currency translation, due primarily to the weakening of the Brazilian Real compared to the U.S. dollar

Partially offset by:

- Lower operating expenses across both end-markets and all regions, resulting from operational efficiencies associated with our temporary 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 most regions
- Lower variable input costs across both end-markets and all regions

Adjusted EBIT margins decreased during the year due to the following:

- Lower organic volumes in the first half of the year primarily due to COVID-19, largely offset by volume recoveries in the second half of the year combined with lower operating expenses and variable input costs

## LIQUIDITY AND CAPITAL RESOURCES

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

At December 31, 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 December 31, 2020, we had $16.5 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 $6.1 million.

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

### Cash Flows

***Years ended December 31, 2020 and 2019***

| | Years Ended December 31, | |
|---|---|---|
| **(In millions)** | **2020** | **2019** |
| Net cash provided by (used for): | | |
| Operating activities: | | |
| Net income | $ 122.0 | $ 252.6 |
| Depreciation and amortization | 320.3 | 353.0 |
| Amortization of deferred financing costs and original issue discount | 9.0 | 8.8 |
| Debt extinguishment and refinancing related costs | 34.4 | 0.2 |
| Deferred income taxes | (55.4) | 15.7 |
| Realized and unrealized foreign exchange losses, net | 3.9 | 5.9 |
| Stock-based compensation | 15.1 | 15.7 |
| Divestiture and impairment charges | 5.7 | 21.1 |
| Interest income on swaps designated as net investment hedges | (14.5) | (14.7) |
| Other non-cash, net | 10.5 | (0.1) |
| Net income adjusted for non-cash items | 451.0 | 658.2 |
| Changes in operating assets and liabilities | 58.3 | (85.1) |
| Operating activities | 509.3 | 573.1 |
| Investing activities | (61.5) | (93.9) |
| Financing activities | (130.9) | (158.4) |
| Effect of exchange rate changes on cash | 26.6 | 3.3 |
| Net increase in cash | $ 343.5 | $ 324.1 |

***Year Ended December 31, 2020***

*Net Cash Provided by Operating Activities*

Net cash provided by operating activities for the year ended December 31, 2020 was $509.3 million. Net income before deducting non-cash items (depreciation, amortization and other non-cash items) generated cash of $451.0 million. This was aided by inflows from working capital of $58.3 million, for which the most significant drivers were inflows from accounts payable, inventory and other liabilities of $103.0 million, $39.6 million and $31.7 million, respectively. These inflows were driven by management of accounts payable and other liabilities and sell through of inventory. The inflows were partially offset by outflows for other accrued liabilities of $70.1 million, primarily associated with accruals for employee termination expenses, accounts receivable of $26.0 million due to timing of collections and prepaid expenses and other assets of $19.9 million, primarily due to business incentive payments.

*Net Cash Used for Investing Activities*

Net cash used for investing activities for the year ended December 31, 2020 was $61.5 million, driven primarily by purchases of property, plant and equipment of $82.1 million, partially offset by interest proceeds on swaps designated as net investment hedges of $14.5 million.

*Net Cash Used for Financing Activities*

Net cash used for financing activities for the year ended December 31, 2020 was $130.9 million. This was driven by cash proceeds of $500.0 million and $700.0 million for the issuance of our 2027 Dollar Senior Notes and 2029 Dollar Senior Notes, respectively, partially offset by the voluntary prepayment of $300.0 million on the outstanding principal on the 2024 Dollar Term Loan, and redemptions of $500.0 million and $396.3 million of the 2024 Dollar Senior Notes and 2024 Euro Senior Notes, respectively. Also contributing to the net outflows were routine repayments on short-term and long-term borrowings of $65.8 million, payments for redemption fees and refinancing-related costs of $39.9 million and repurchases of our common stock of $26.0 million.

*Other Impacts on Cash*

Currency exchange impacts on cash for the year ended December 31, 2020 were favorable by $26.6 million, which was driven primarily by the strengthening of the Euro, Chinese Renminbi and British Pound compared to the U.S. Dollar.

***Year Ended December 31, 2019***

*Net Cash Provided by Operating Activities*

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

*Net Cash Used for Investing Activities*

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

*Net Cash Used for Financing Activities*

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

*Other Impacts on Cash*

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

**Financial Condition**

We had cash and cash equivalents at December 31, 2020 and 2019 of $1,360.9 million and $1,017.5 million, respectively. Of these balances, $761.7 million and $540.0 million were maintained in non-U.S. jurisdictions as of December 31, 2020 and 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 periods indicated:

| | December 31, | |
|---|---|---|
| **(In millions)** | **2020** | **2019** |
| 2024 Dollar Term Loans | $ 2,063.2 | $ 2,387.5 |
| 2024 Dollar Senior Notes | — | 500.0 |
| 2024 Euro Senior Notes | — | 375.2 |
| 2025 Euro Senior Notes | 552.1 | 504.0 |
| 2027 Dollar Senior Notes | 500.0 | — |
| 2029 Dollar Senior Notes | 700.0 | — |
| Short-term and other borrowings | 118.0 | 109.0 |
| Unamortized original issue discount | (6.3) | (10.5) |
| Unamortized deferred financing costs | (34.3) | (31.1) |
| | 3,892.7 | 3,834.1 |
| Less: | | |
| Short-term borrowings | 29.9 | 19.6 |
| Current portion of long-term borrowings | 24.3 | 24.3 |
| Long-term debt | $ 3,838.5 | $ 3,790.2 |

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

We 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 December 31, 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.

The following table details our borrowings outstanding, average effective interest rates and the associated interest expense, inclusive of the amortization of debt issuance costs, debt discounts and the impact of derivative instruments for the years ended December 31, 2020 and 2019, respectively:

| | Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | |
| (In millions) | Principal | Average Effective Interest Rate | Interest Expense | Principal | Average Effective Interest Rate | Interest Expense |
| Term Loans | $ 2,063.2 | 3.0 % | $ 68.0 | $ 2,387.5 | 3.9 % | $ 92.7 |
| Revolving Credit Facility | — | N/A | 1.4 | — | N/A | 1.6 |
| Senior Notes | 1,752.1 | 4.5 % | 75.2 | 1,379.2 | 4.6 % | 62.9 |
| Short-term and other borrowings | 118.0 | Various | 5.3 | 109.0 | Various | 5.4 |
| Total | $ 3,933.3 | | $ 149.9 | $ 3,875.7 | | $ 162.6 |

After giving effect to our cross-currency and interest rate hedges, our borrowings denominated in U.S. Dollar as of December 31, 2020 and 2019 were $2,509.9 million and $2,521.5 million, respectively, with weighted average interest rates of 3.6% and 3.9%. After giving effect to our cross-currency and interest rate hedges, our borrowings denominated in Euro as of December 31, 2020 and 2019 were $1,423.4 million and $1,354.2 million, respectively, with weighted average interest rates of 2.5% and 3.1%.

**Contractual Obligations**

The following table summarizes our contractual obligations at December 31, 2020:

| | Contractual Obligations Due In: | | | | |
|---|---|---|---|---|---|
| (In millions) | Total | 2021 | 2022-2023 | 2024-2025 | Thereafter |
| Debt, including current portion | | | | | |
| Senior Secured Credit Facilities, consisting of the following: | | | | | |
| 2024 Dollar Term Loans | $ 2,063.2 | $ 24.3 | $ 48.6 | $ 1,990.3 | $ — |
| Senior Notes, consisting of the following: | | | | | |
| 2025 Euro Senior Notes | 552.1 | — | — | 552.1 | — |
| 2027 Dollar Senior Notes | 500.0 | — | — | — | 500.0 |
| 2029 Dollar Senior Notes | 700.0 | — | — | — | 700.0 |
| Other borrowings | 54.0 | 26.7 | 27.3 | — | — |
| Interest payments (1) | 592.1 | 109.8 | 218.1 | 145.8 | 118.4 |
| Finance leases (2) | 96.6 | 5.0 | 11.8 | 11.9 | 67.9 |
| Operating leases | 117.6 | 32.1 | 42.1 | 20.2 | 23.2 |
| Pension contributions (3) | 5.5 | 5.5 | — | — | — |
| Purchase obligations (4) | 151.4 | 56.7 | 48.9 | 21.1 | 24.7 |
| Uncertain tax positions, including interest and penalties (5) | 7.2 | 7.2 | — | — | — |
| Employee retention award payments (6) | 16.5 | 16.5 | — | — | — |
| Total | $ 4,856.2 | $ 283.8 | $ 396.8 | $ 2,741.4 | $ 1,434.2 |

(1) Interest payments are based on principal amounts of our Senior Secured Credit Facilities and Senior Notes at December 31, 2020 including commitment fees on the unused portion of the Revolving Credit Facility. Future interest payments assume December 31, 2020 variable rates will prevail throughout all future periods and do not consider the effect of our derivative instruments. See Note 18 and Note 19 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional disclosures related to our interest rates and derivatives, respectively.

(2) Finance lease payments, within the table above, represent total cash rental costs to be paid over the terms of these leases, which include principal and interest.

(3) We expect to make contributions to our defined benefit pension plans beyond 2021; however, the amount of any contributions is dependent on the future economic environment and investment returns, and we are unable to reasonably estimate the pension contributions beyond 2021.

(4) Purchase obligations include various commitments at December 31, 2020, and reflect the minimum contractual obligations under legally enforceable contracts.

(5) At December 31, 2020, we had approximately $110.5 million of gross uncertain tax positions, including interest and penalties that could result in potential payments. The Company anticipates that it is reasonably possible it will settle up to $12.4 million, including interest and penalties, of its current uncertain tax positions within 2021 due to the conclusion of the 2010-2013 German income tax audit, of which we expect a cash outflow of $7.2 million, including interest and penalties. Due to the high degree of uncertainty regarding future timing of cash flows associated with the remaining uncertain tax positions, we are unable to estimate the years in which additional settlement will occur with the respective taxing authorities.

(6) Employee retention award payments for certain employees contingent upon service through this point to help ensure continuity of the Company's business.

**Off Balance Sheet Arrangements**

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

**Recent Accounting Guidance**

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

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

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

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

***Accounting for Business Combinations***

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

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

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

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

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

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

***Asset Impairments***

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

*Goodwill and indefinite-lived intangible assets*

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

In 2020, we performed a qualitative evaluation for impairment over our reporting units and indefinite-lived intangible assets and concluded that it was not more likely than not that the fair values are less than the respective carrying amounts.

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

*Long-Lived Assets*

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

***Stock-Based Compensation***

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

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

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

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

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

***Retirement Benefits***

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

The estimated impact of either a 100 basis point increase or decrease of the discount rate to the net periodic benefit cost for 2021 would result in an increase of approximately $0.6 million or $0.5 million, respectively. The estimated impact of a 100 basis point increase or decrease of the expected return on asset assumption on the net periodic benefit cost for 2021 would result in a decrease or increase of approximately $2.3 million, respectively.

***Income taxes***

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

The Company records a valuation allowance if, based upon the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company must generate approximately $868.1 million of taxable income to fully realize its consolidated net deferred tax assets as of December 31, 2020.

We evaluate the recoverability of deferred tax assets on a jurisdictional basis by assessing the adequacy of future expected taxable income from all sources, including the reversal of taxable temporary differences, forecasted core business earnings and available tax planning strategies. Our net deferred tax asset balance as of December 31, 2020 is $109.6 million, net of valuation allowances of $208.1 million. In instances where we are in a three-year cumulative loss, we assess all positive and negative factors including any potential aberrational items which may be included within our taxable results. The aberrational items which have impacted our results include significant taxable losses associated with the exercises of pre-IPO stock options that were deep in the money at the time they were exercised, as well as debt extinguishment, refinancing and certain global restructuring costs. We believe, and have assumed, these types of losses are not indicative of our core earnings for purposes of assessing the appropriateness of a valuation allowance. Assumptions around sources of taxable income inherently rely heavily on estimates. We use our historical experience and our short and long-range business forecasts to provide insight. While the Company believes that its judgments and estimations regarding deferred tax assets are appropriate, significant differences in actual experience may require the Company to adjust its valuation allowance and could materially affect the Company’s future financial results.

We provide for income and foreign withholding taxes, where applicable, on unremitted earnings of all subsidiaries and related companies to the extent that such earnings are not deemed to be permanently invested and cannot be repatriated in a tax free manner. At December 31, 2020 and 2019, deferred income taxes of approximately $7.1 million and $6.0 million, respectively, have been provided on such subsidiary earnings, respectively. At December 31, 2020, and 2019, we have not recorded a deferred tax liability related to withholding taxes of approximately $96.1 million and $15.6 million, respectively, on unremitted earnings of subsidiaries that are permanently invested.

The breadth of our operations and the global complexity of tax regulations require assessments of uncertainties and judgments in estimating taxes we will ultimately pay. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions, outcomes of tax litigation and resolution of disputes arising from federal, state and international tax audits in the normal course of business. A liability for unrecognized tax benefits is recorded when management concludes that the likelihood of sustaining such positions upon examination by taxing authorities is less than "more likely than not." Interest and penalties accrued related to unrecognized tax benefits are included in the provision for income taxes. At December 31, 2020 and 2019, the Company had gross unrecognized tax benefits, excluding interest and penalties, for both domestic and foreign operations of $99.6 million and $45.3 million, respectively.

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

***Sales deductions***

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

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

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

***Contingencies***

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

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

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

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

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

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

***Interest rate risk***

We are subject to interest rate market risk in connection with our borrowings. A one-eighth percent change in the applicable interest rate for borrowings under the Senior Secured Credit Facilities (assuming the Revolving Credit Facility is undrawn) would have an annual impact of approximately $0.9 million on cash interest expense considering the impact of our hedging positions currently in place.

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

For further detail on our use of derivative instruments, see Note 19 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

***Foreign exchange rates risk***

We are exposed to foreign currency exchange risk by virtue of the translation of our international operations from local currencies into the U.S. Dollar. The majority of our net sales for the years ended December 31, 2020, 2019 and 2018 were from operations outside the United States. At December 31, 2020 and 2019, the accumulated other comprehensive loss account on the consolidated balance sheets included a cumulative translation loss of $282.0 million and $297.0 million, respectively. A hypothetical 10% increase in the value of the U.S. Dollar relative to all foreign currencies would have increased the cumulative translation loss by $199.9 million. This sensitivity analysis is inherently limited as it assumes that rates of multiple foreign currencies are moving in the same direction relative to the value of the U.S. Dollar.

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

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

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

***Commodity price risk***

We are subject to changes in our cost of sales caused by movements in underlying commodity prices (primarily oil and natural gas). Between 40% and 50% of our cost of sales is represented by raw materials. A substantial portion of the purchased raw materials include monomers, pigments, resins and solvents. Our price fluctuations generally follow industry indices. We historically have not entered into long-term purchase contracts related to the purchase of raw materials. If and when appropriate, we intend to manage these risks using purchase contracts with our suppliers.

***Treasury policy***

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

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**Index**

## Report of Independent Registered Public Accounting Firm

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

***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Axalta Coating Systems Ltd. and its subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2020 appearing under item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

*Changes in Accounting Principle*

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

***Basis for Opinions***

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

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

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

***Definition and Limitations of Internal Control over Financial Reporting***

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

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

***Critical Audit Matters***

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

*Measurement of Unrecognized Tax Benefits*

As described in Notes 1 and 11 to the consolidated financial statements, management has recorded unrecognized tax benefits of $110.5 million as of December 31, 2020. As disclosed by management, the breadth of operations and the global complexity of tax regulations require assessments of uncertainties and judgments in estimating taxes. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions, outcomes of tax litigation and resolution of disputes arising from federal, state and international tax audits in the normal course of business. A liability for unrecognized tax benefits is recorded when management concludes that the likelihood of sustaining such positions upon examination by taxing authorities is less than “more-likely-than not.”

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

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

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

February 18, 2021

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

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Net sales | $ 3,737.6 | $ 4,482.2 | $ 4,696.0 |
| Cost of goods sold | 2,457.9 | 2,917.9 | 3,106.3 |
| Selling, general and administrative expenses | 695.0 | 822.1 | 876.4 |
| Other operating charges | 110.8 | 70.7 | 82.7 |
| Research and development expenses | 55.2 | 70.2 | 73.1 |
| Amortization of acquired intangibles | 113.2 | 113.1 | 115.4 |
| Income from operations | 305.5 | 488.2 | 442.1 |
| Interest expense, net | 149.9 | 162.6 | 159.6 |
| Other expense (income), net | 33.4 | (4.4) | 15.0 |
| Income before income taxes | 122.2 | 330.0 | 267.5 |
| Provision for income taxes | 0.2 | 77.4 | 54.2 |
| Net income | 122.0 | 252.6 | 213.3 |
| Less: Net income attributable to noncontrolling interests | 0.4 | 3.6 | 6.2 |
| Net income attributable to controlling interests | $ 121.6 | $ 249.0 | $ 207.1 |
| Basic net income per share | $ 0.52 | $ 1.06 | $ 0.87 |
| Diluted net income per share | $ 0.52 | $ 1.06 | $ 0.85 |

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

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Net income | $ 122.0 | $ 252.6 | $ 213.3 |
| Other comprehensive loss, before tax: | | | |
| Foreign currency translation adjustments | 13.8 | 5.4 | (94.1) |
| Unrealized (loss) gain on derivatives | (30.0) | (33.1) | 2.4 |
| Unrealized loss on pension and other benefit plan obligations | (25.3) | (46.1) | (6.4) |
| Other comprehensive loss, before tax | (41.5) | (73.8) | (98.1) |
| Income tax benefit related to items of other comprehensive income | (11.0) | (17.4) | (0.3) |
| Other comprehensive loss, net of tax | (30.5) | (56.4) | (97.8) |
| Comprehensive income | 91.5 | 196.2 | 115.5 |
| Less: Comprehensive (loss) income attributable to noncontrolling interests | (0.8) | 6.6 | 2.7 |
| Comprehensive income attributable to controlling interests | $ 92.3 | $ 189.6 | $ 112.8 |

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

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

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 1,360.9 | $ 1,017.5 |
| Restricted cash | 3.1 | 3.0 |
| Accounts and notes receivable, net | 869.8 | 830.1 |
| Inventories | 559.9 | 591.6 |
| Prepaid expenses and other current assets | 132.2 | 131.2 |
| Total current assets | 2,925.9 | 2,573.4 |
| Property, plant and equipment, net | 1,194.5 | 1,223.0 |
| Goodwill | 1,294.9 | 1,208.9 |
| Identifiable intangibles, net | 1,148.8 | 1,223.9 |
| Other assets | 593.1 | 588.8 |
| Total assets | $ 7,157.2 | $ 6,818.0 |
| **Liabilities, Shareholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 564.4 | $ 483.7 |
| Current portion of borrowings | 54.2 | 43.9 |
| Other accrued liabilities | 562.3 | 545.3 |
| Total current liabilities | 1,180.9 | 1,072.9 |
| Long-term borrowings | 3,838.5 | 3,790.2 |
| Accrued pensions | 309.9 | 285.2 |
| Deferred income taxes | 114.0 | 115.5 |
| Other liabilities | 234.1 | 144.6 |
| Total liabilities | 5,677.4 | 5,408.4 |
| Commitments and contingent liabilities (Note 6) | | |
| Shareholders' equity | | |
| Common shares, $1.00 par, 1,000.0 shares authorized, 250.9 and 250.1 shares issued at December 31, 2020 and 2019, respectively | 250.9 | 249.9 |
| Capital in excess of par | 1,487.1 | 1,474.1 |
| Retained earnings | 563.3 | 443.2 |
| Treasury shares, at cost, 16.1 and 15.2 shares at December 31, 2020 and 2019, respectively | (443.5) | (417.5) |
| Accumulated other comprehensive loss | (424.8) | (395.5) |
| Total Axalta shareholders' equity | 1,433.0 | 1,354.2 |
| Noncontrolling interests | 46.8 | 55.4 |
| Total shareholders' equity | 1,479.8 | 1,409.6 |
| Total liabilities and shareholders' equity | $ 7,157.2 | $ 6,818.0 |

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

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

| | Common Stock | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of Shares | Par/Stated Value | Capital In Excess Of Par | Retained earnings (Accumulated deficit) | Treasury Shares, at cost | Accumulated Other Comprehensive Loss | Non-controlling Interests | Total |
| Balance December 31, 2017 | 241.9 | $ 242.4 | $ 1,354.5 | $ (21.4) | $ (58.4) | $ (241.0) | $ 131.7 | $ 1,407.8 |
| Comprehensive income (loss): | | | | | | | | |
| Net income | — | — | — | 207.1 | — | — | 6.2 | 213.3 |
| Net realized and unrealized gain on derivatives, net of tax of $1.1 million | — | — | — | — | — | 1.3 | — | 1.3 |
| Long-term employee benefit plans, net of tax benefit of $1.4 million | — | — | — | — | — | (5.0) | — | (5.0) |
| Foreign currency translation, net of tax of $0.0 million | — | — | — | — | — | (90.6) | (3.5) | (94.1) |
| Total comprehensive income (loss) | — | — | — | 207.1 | — | (94.3) | 2.7 | 115.5 |
| Cumulative effect of an accounting change | — | — | — | 12.9 | — | (0.8) | 0.1 | 12.2 |
| Recognition of stock-based compensation | — | — | 37.3 | — | — | — | — | 37.3 |
| Shares issued under compensation plans | 2.8 | 2.9 | 14.8 | — | — | — | — | 17.7 |
| Changes in ownership of noncontrolling interests | — | — | 2.9 | — | — | — | (28.1) | (25.2) |
| Common stock purchases | (9.1) | — | — | — | (253.8) | — | — | (253.8) |
| Dividends declared to noncontrolling interests | — | — | — | — | — | — | (1.0) | (1.0) |
| Balance December 31, 2018 | 235.6 | $ 245.3 | $ 1,409.5 | $ 198.6 | $ (312.2) | $ (336.1) | $ 105.4 | $ 1,310.5 |
| Comprehensive income (loss): | | | | | | | | |
| Net income | — | — | — | 249.0 | — | — | 3.6 | 252.6 |
| Net realized and unrealized loss on derivatives, net of tax benefit of $4.8 million | — | — | — | — | — | (28.3) | — | (28.3) |
| Long-term employee benefit plans, net of tax benefit of $12.6 million | — | — | — | — | — | (33.5) | — | (33.5) |
| Foreign currency translation, net of tax of $0.0 million | — | — | — | — | — | 2.4 | 3.0 | 5.4 |
| Total comprehensive income (loss) | — | — | — | 249.0 | — | (59.4) | 6.6 | 196.2 |
| Cumulative effect of an accounting change | — | — | — | (0.7) | — | — | — | (0.7) |
| Correction to previous cumulative effect upon adoption of ASU 2014-09 | — | — | — | (3.7) | — | — | — | (3.7) |
| Recognition of stock-based compensation | — | — | 15.7 | — | — | — | — | 15.7 |
| Shares issued under compensation plans | 3.4 | 4.6 | 44.9 | — | — | — | — | 49.5 |
| Changes in ownership of noncontrolling interests | — | — | 4.0 | — | — | — | (55.1) | (51.1) |
| Common stock purchases | (4.1) | — | — | — | (105.3) | — | — | (105.3) |
| Dividends declared to noncontrolling interests | | — | — | — | — | — | (1.5) | (1.5) |
| Balance December 31, 2019 | 234.9 | $ 249.9 | $ 1,474.1 | $ 443.2 | $ (417.5) | $ (395.5) | $ 55.4 | $ 1,409.6 |
| Comprehensive income (loss): | | | | | | | | |
| Net income | — | — | — | 121.6 | — | — | 0.4 | 122.0 |
| Net realized and unrealized loss on derivatives, net of tax benefit of $4.5 million | — | — | — | — | — | (25.5) | — | (25.5) |
| Long-term employee benefit plans, net of tax benefit of $6.5 million | — | — | — | — | — | (18.8) | — | (18.8) |
| Foreign currency translation, net of tax of $0.0 million | — | — | — | — | — | 15.0 | (1.2) | 13.8 |
| Total comprehensive income (loss) | — | — | — | 121.6 | — | (29.3) | (0.8) | 91.5 |
| Cumulative effect of an accounting change | — | — | — | (1.5) | — | — | — | (1.5) |
| Recognition of stock-based compensation | — | — | 15.1 | — | — | — | — | 15.1 |
| Shares issued under compensation plans | 0.8 | 1.0 | 3.2 | — | — | — | — | 4.2 |
| Changes in ownership of noncontrolling interests | — | — | (5.3) | — | — | — | (6.9) | (12.2) |
| Common stock purchases | (0.9) | — | — | — | (26.0) | — | — | (26.0) |
| Dividends declared to noncontrolling interests | — | — | — | — | — | — | (0.9) | (0.9) |
| Balance December 31, 2020 | 234.8 | $ 250.9 | $ 1,487.1 | $ 563.3 | $ (443.5) | $ (424.8) | $ 46.8 | $ 1,479.8 |

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

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Operating activities: | | | |
| Net income | $ 122.0 | $ 252.6 | $ 213.3 |
| Adjustment to reconcile net income to cash provided by operating activities: | | | |
| Depreciation and amortization | 320.3 | 353.0 | 369.1 |
| Amortization of deferred financing costs and original issue discount | 9.0 | 8.8 | 8.0 |
| Debt extinguishment and refinancing related costs | 34.4 | 0.2 | 9.5 |
| Deferred income taxes | (55.4) | 15.7 | 6.1 |
| Realized and unrealized foreign exchange losses, net | 3.9 | 5.9 | 17.3 |
| Stock-based compensation | 15.1 | 15.7 | 37.3 |
| Divestiture and impairment charges | 5.7 | 21.1 | — |
| Interest income on swaps designated as net investment hedges | (14.5) | (14.7) | (9.4) |
| Other non-cash, net | 10.5 | (0.1) | (0.9) |
| Changes in operating assets and liabilities: | | | |
| Trade accounts and notes receivable | (26.0) | (10.1) | (22.3) |
| Inventories | 39.6 | 10.8 | (48.1) |
| Prepaid expenses and other assets | (19.9) | (118.9) | (157.3) |
| Accounts payable | 103.0 | 18.2 | 49.5 |
| Other accrued liabilities | (70.1) | 5.3 | (8.4) |
| Other liabilities | 31.7 | 9.6 | 32.4 |
| Cash provided by operating activities | 509.3 | 573.1 | 496.1 |
| Investing activities: | | | |
| Acquisitions, net of cash acquired | (1.0) | (3.3) | (82.8) |
| Purchase of property, plant and equipment | (82.1) | (112.5) | (143.4) |
| Proceeds from sale of unconsolidated joint venture | 4.4 | — | — |
| Proceeds from sale of consolidated joint venture, net of cash divested | — | 8.2 | — |
| Interest proceeds on swaps designated as net investment hedges | 14.5 | 14.7 | 9.4 |
| Proceeds from settlement of swaps designated as net investment hedges | — | — | 22.5 |
| Other investing activities, net | 2.7 | (1.0) | 5.1 |
| Cash used for investing activities | (61.5) | (93.9) | (189.2) |
| Financing activities: | | | |
| Proceeds from long-term borrowings | 1,200.0 | — | 468.9 |
| Payments on short-term borrowings | (38.8) | (39.5) | (44.7) |
| Payments on long-term borrowings | (1,223.3) | (27.6) | (511.3) |
| Financing-related costs | (39.9) | (1.5) | (10.8) |
| Net cash flows associated with stock-based awards | 4.3 | 50.3 | 17.4 |
| Dividends paid to noncontrolling interests | (0.9) | (1.5) | (1.0) |
| Investments in noncontrolling interests | (5.8) | (31.1) | (26.9) |
| Purchases of common stock | (26.0) | (105.3) | (253.8) |
| Deferred acquisition-related consideration | (0.5) | (2.2) | (6.0) |
| Cash used for financing activities | (130.9) | (158.4) | (368.2) |
| Increase (decrease) in cash and cash equivalents | 316.9 | 320.8 | (61.3) |
| Effect of exchange rate changes on cash | 26.6 | 3.3 | (15.2) |
| Cash at beginning of period | 1,020.5 | 696.4 | 772.9 |
| Cash at end of period | $ 1,364.0 | $ 1,020.5 | $ 696.4 |
| Cash at end of period reconciliation: | | | |
| Cash and cash equivalents | $ 1,360.9 | $ 1,017.5 | $ 693.6 |
| Restricted cash | 3.1 | 3.0 | 2.8 |
| Cash at end of period | $ 1,364.0 | $ 1,020.5 | $ 696.4 |
| Supplemental cash flow information: | | | |
| Cash paid during the year for: | | | |
| Interest, net of amounts capitalized | $ 151.7 | $ 156.9 | $ 152.4 |
| Income taxes, net of refunds | 25.9 | 42.2 | 57.4 |
| Non-cash investing activities: | | | |
| Accrued capital expenditures | $ 35.1 | $ 16.6 | $ 10.1 |

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

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

**Index**

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

**Basis of Presentation**

The accompanying consolidated balance sheets of Axalta Coating Systems Ltd. ("Axalta," the "Company," "we," "our" and "us"), at December 31, 2020 and 2019 and the related consolidated statements of operations, consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in shareholders' equity for the years ended December 31, 2020, 2019 and 2018 included herein have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and are audited. In the opinion of management, these statements include all adjustments, consisting only of normal, recurring adjustments, necessary for a fair statement of the financial position of Axalta.

**Summary of Significant Accounting Policies**

***Principles of Consolidation***

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

***Use of Estimates***

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

***Accounting for Business Combinations***

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

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

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

***Revenue Recognition***

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

***Cash, Cash Equivalents and Restricted Cash***

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

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

***Fair Value Measurements***

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

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

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

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

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

***Derivatives and Hedging***

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

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

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

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

***Receivables and Allowance for Doubtful Accounts***

Receivables are carried at amounts that approximate fair value. Receivables are recognized net of an allowance for doubtful accounts receivable. The allowance for doubtful accounts reflects the current estimate of credit losses expected to be incurred over the life of the financial asset, based on historical experience current conditions and reasonable forecasts of future economic conditions. Accounts receivable are written down or off when a portion or all of such account receivable is determined to be uncollectible.

***Inventories***

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

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

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

***Property, Plant and Equipment***

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

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

***Leases***

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

***Goodwill and Other Identifiable Intangible Assets***

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

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

Under the quantitative impairment test, the evaluation of impairment involves comparing the current fair value of each reporting unit, with respect to goodwill, and indefinite-lived intangible asset to its carrying value. If the fair value of the reporting unit or indefinite-lived intangible asset is less than the carrying value, the difference is recorded as an impairment loss not to exceed the amount of recorded goodwill or carrying value of the respective indefinite-lived intangible asset.

In 2020, we performed a qualitative evaluation for impairment over our reporting units and indefinite-lived intangible assets and concluded that it was not more likely than not that the fair values are less than the respective carrying amounts.

Definite-lived intangible assets, such as technology, trademarks, customer relationships and non-compete agreements are amortized over their estimated useful lives, generally for periods ranging from 3 to 25 years. We evaluate these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets might not be recoverable. The reasonableness of the useful lives of definite and indefinite-lived assets are regularly evaluated.

***Impairment of Long-Lived Assets***

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

***Research and Development***

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

***Environmental Liabilities and Expenditures***

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Accrued environmental liabilities are not discounted. Claims for recovery from third parties, if any, are reflected separately as an asset. We record recoveries at the earlier of when the gain is probable and reasonably estimable or realized.

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

***Litigation***

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

***Income Taxes***

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

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

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

***Foreign Currency Translation***

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

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

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

***Employee Benefits***

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

***Stock-Based Compensation***

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

***Earnings per Common Share***

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

**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, to 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 consolidated balance sheets and statements of shareholders' equity for the year ended December 31, 2020.

On January 1, 2020, we adopted ASU No. 2018-14, "Compensation - Retirement Benefits - Defined Benefit Plans - General (Topic 715-20 ): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans". This ASU amends ASC 715 to remove certain disclosures, clarify certain existing disclosures and add additional disclosures. The adoption of this standard did not have a material impact on our consolidated financial statements.

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 December 31, 2020, the expedients provided in this standard do not impact the Company. We will continue to monitor for potential impacts on our financial statements.

In December 2020, we adopted ASU 2019-12, "Simplifying the Accounting for Income Taxes" which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and updating provisions related to accounting for franchise (or similar) tax partially based on income and interim recognition of enactment of tax law changes. The adoption of this standard did not have a material impact 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. The Company's results of operations, financial condition and cash flows were significantly impacted during 2020 as a result of the pandemic and we continue to see impacts to our business given the continued significant presence, and actual or potential spread, of the virus globally, as well as preventative measures enacted in certain regions of the world. We are currently unable to fully determine the future impact of COVID-19 on our business, though we believe the pandemic will continue to have a negative effect on our business during 2021, and potentially longer. We are monitoring the progression of the pandemic and its ongoing and potential effect on our financial position, results of operations, and cash flows, which effects could be materially adverse in a particular quarterly reporting period as well as on an annual basis for 2021, and potentially longer.

**(2) REVENUE**

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

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

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

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

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

All costs incurred directly in satisfaction of our performance obligations associated with revenue are reported in cost of goods sold on the statements of operations. We also provide certain customers with incremental up-front consideration, including Business Incentive Payments ("BIPs"), which are capitalized as a component of other assets and amortized over the estimated life of the contractual arrangement as a reduction of net sales. We do not receive a distinct service or good in return for these BIPs, but rather receive volume commitments and/or sole supplier status from our customers over the life of the contractual arrangements, which approximates a five-year weighted average useful life. The termination clauses in these contractual arrangements include standard clawback provisions that enable us to collect monetary damages in the event of a customer’s failure to meet its commitments under the relevant contract. At December 31, 2020 and 2019, the total carrying value of BIPs were $165.4 million and $191.2 million, respectively, and are presented within other assets on the consolidated balance sheets. For the years ended December 31, 2020, 2019 and 2018, $64.1 million, $66.9 million and $65.5 million, respectively, was amortized and reflected as reductions of net sales in the consolidated statements of operations. The total carrying value of BIPs excludes other upfront incentives made in conjunction with long-term customer commitments of $79.8 million and $79.0 million at December 31, 2020 and 2019, respectively, which will be repaid in future periods.

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

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

Consideration for products in which control has transferred to our customers that is conditional on something other than the passage of time is recorded as a contract asset within prepaid expenses and other current assets on the balance sheet. The contract asset balances at December 31, 2020 and 2019 were $37.2 million and $37.5 million, respectively.

We have applied certain policy elections upon adoption of the new revenue standard beginning January 1, 2018, including accounting for shipping and handling costs as contract fulfillment costs, as well as excluding from the transaction price any taxes imposed on and collected from customers in revenue producing transactions.

*Revenue Streams*

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

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

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

See Note 20 for net sales by end-market.

**(3) ACQUISITIONS AND DIVESTITURES**

During the year ended December 31, 2020, we completed an immaterial acquisition within our Performance Coatings segment for cash consideration of $1.0 million.

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

(In millions, unless otherwise noted)

*Other Activity*

During the year ended December 31, 2020, we purchased additional interests in certain previously consolidated joint ventures within our refinish end-market, increasing our total ownership to 100% for total consideration of $12.1 million, of which we paid $5.8 million during the year ended December 31, 2020 and the remaining $6.3 million will be paid in the first quarter of 2021.

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

## (4) GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

***Goodwill***

The following table shows changes in the carrying amount of goodwill from December 31, 2018 to December 31, 2020 by reportable segment:

| | Performance Coatings | Transportation Coatings | Total |
|---|---|---|---|
| December 31, 2018 | $ 1,151.5 | $ 79.3 | $ 1,230.8 |
| Goodwill from acquisitions | 0.5 | — | 0.5 |
| Purchase accounting adjustments | 1.4 | — | 1.4 |
| Divestiture | (5.6) | — | (5.6) |
| Foreign currency translation | (16.9) | (1.3) | (18.2) |
| December 31, 2019 | $ 1,130.9 | $ 78.0 | $ 1,208.9 |
| Foreign currency translation | 80.4 | 5.6 | 86.0 |
| December 31, 2020 | $ 1,211.3 | $ 83.6 | $ 1,294.9 |

***Identifiable Intangible Assets***

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

| December 31, 2020 | Gross Carrying Amount | Accumulated Amortization | Net Book Value | Weighted average amortization periods (years) |
|---|---|---|---|---|
| Technology | $ 564.8 | $ (383.6) | $ 181.2 | 10.4 |
| Trademarks—indefinite-lived | 282.9 | — | 282.9 | Indefinite |
| Trademarks—definite-lived | 103.6 | (37.5) | 66.1 | 16.0 |
| Customer relationships | 943.6 | (329.3) | 614.3 | 19.0 |
| Other | 15.3 | (11.0) | 4.3 | 5.0 |
| Total | $ 1,910.2 | $ (761.4) | $ 1,148.8 | |

| 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 | 5.1 |
| Total | $ 1,843.8 | $ (619.9) | $ 1,223.9 | |

In-process research and development projects not yet commercialized and classified within technology assets were $0.2 million and $1.9 million at December 31, 2020 and 2019, respectively.

(In millions, unless otherwise noted)

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

| | |
|---|---|
| 2021 | $ 116.6 |
| 2022 | $ 114.4 |
| 2023 | $ 72.7 |
| 2024 | $ 67.8 |
| 2025 | $ 67.1 |

## (5) RESTRUCTURING

On July 29, 2020, we announced a global restructuring of our business given the significant customer demand headwinds caused by COVID-19 and to better position the Company for sustained growth. The global restructuring resulted in pretax charges of $57.9 million for the year ended December 31, 2020, of which $52.6 million primarily relates to employee severance associated with a net reduction to our workforce of approximately 600 employees globally, while the remaining $5.3 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. The majority of the global restructuring activities are expected to be completed by the end of 2021 with the remaining completed during 2022.

We also completed the closure activities associated with our manufacturing facility in Mechelen, Belgium during the first half of 2020. We incurred incremental accelerated depreciation for the years ended December 31, 2020, 2019 and 2018 of $8.5 million, $24.3 million, and $10.3 million, respectively, which was recorded to cost of goods sold in the 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 years ended December 31, 2020, 2019 and 2018, we incurred costs for termination benefits of $71.9 million, $34.4 million, and $79.8 million, respectively. These amounts are recorded within other operating charges in the 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 activity related to termination benefit reserves and expenses for the years ended December 31, 2020, 2019 and 2018:

| | |
|---|---|
| Balance at January 1, 2018 | $ 71.5 |
| Expense recorded | 79.8 |
| Payments made | (46.4) |
| Foreign currency translation | (2.2) |
| Balance at December 31, 2018 | $ 102.7 |
| Expense recorded | 34.4 |
| Payments made | (57.3) |
| Foreign currency translation | (1.8) |
| Balance at December 31, 2019 | $ 78.0 |
| Expense recorded | 71.9 |
| Payments made | (99.8) |
| Foreign currency translation | 5.7 |
| Balance at December 31, 2020 | $ 55.8 |

## (6) COMMITMENTS AND CONTINGENCIES

***Guarantees***

We guarantee certain of our customers' obligations to third parties, whereby any default by our customers on their obligations could force us to make payments to the applicable creditors. At December 31, 2020 and 2019, we had outstanding bank guarantees of $8.5 million and $11.6 million, respectively. Most of our bank guarantees expire between 2021 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 year ended December 31, 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 December 31, 2020 and 2019.

***Operational Matter***

In early January 2021, we became aware of an operational matter at certain North America Transportation Coatings customer manufacturing sites. This matter involves a potential issue relating to the use and application of our product in combination with products provided by other suppliers. The matter occurred over a discrete period during the fourth quarter of 2020, and we believe that it is not ongoing in nature. We are working to identify the full scope and root cause of the matter, as well as associated responsibilities among the relevant parties. Based on the information currently available, we do not believe that losses are probable and therefore we have not recorded any liability as of December 31, 2020.

Actual costs arising from this matter could result in material charges as we determine the full scope, root cause and associated responsibilities among the relevant parties. Based on the information currently available, although it is uncertain whether we will have any material losses, we believe it is reasonably possible that the total losses associated with this matter could be up to $250 million, assuming full responsibility of all applicable customer costs, though our actual losses could be materially lower or higher as we ultimately conclude our analysis of the full scope, root cause and associated responsibilities among the relevant parties. We maintain insurance, with significant policy limits, that may provide coverage for potential liabilities that may arise from this matter. At this time, however, we have not filed any insurance claims and the ability to recover insurance proceeds is not certain.

***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 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 consolidated financial statements will be recorded in the period in which these matters are probable and estimable. Except as set forth in the "Operational Matter" section above, 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.

## (7) LEASES

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

(In millions, unless otherwise noted)

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

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

| | | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| **Assets** | **Classification** | | |
| Operating lease assets, net | Other assets [1] | $ 101.3 | $ 95.6 |
| Finance lease assets, net | Property, plant and equipment, net [2] | 63.7 | 66.9 |
| Total leased assets | | $ 165.0 | $ 162.5 |
| **Liabilities** | | | |
| Current | | | |
| Operating lease liabilities | Other accrued liabilities | $ 28.8 | $ 29.3 |
| Finance lease liabilities | Current portion of borrowings | 3.2 | 2.9 |
| Noncurrent | | | |
| Operating lease liabilities | Other liabilities | 75.6 | 69.5 |
| Finance lease liabilities | Long-term borrowings | 60.8 | 62.2 |
| Total lease liabilities | | $ 168.4 | $ 163.9 |

(1) Operating lease assets are recorded net of accumulated amortization of $35.4 million and $18.4 million as of December 31, 2020 and 2019, respectively.
(2) Finance lease assets are recorded net of accumulated amortization of $8.9 million and $4.6 million as of December 31, 2020 and 2019, respectively.

Components of lease expense are summarized as follows:

| | Year Ended December 31, 2020 | Year Ended December 31, 2019 |
|---|---|---|
| Finance lease cost | | |
| Amortization of right-of-use assets | $ 4.2 | $ 4.1 |
| Interest on lease liabilities | 3.4 | 3.5 |
| Operating lease cost | 35.7 | 36.5 |
| Variable lease cost | 3.2 | 2.9 |
| Short-term lease cost | 0.4 | 1.2 |
| Net lease cost | $ 46.9 | $ 48.2 |

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

| | Year Ended December 31, 2020 | Year Ended December 31, 2019 |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows for operating leases | $ 36.0 | $ 36.8 |
| Operating cash flows for finance leases | $ 3.4 | $ 3.5 |
| Financing cash flows for finance leases | $ 2.2 | $ 1.9 |
| Right-of-use assets obtained in exchange for lease obligations: | | |
| Operating leases | $ 21.0 | $ 23.3 |
| Finance leases | $ 0.3 | $ 0.5 |

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

Lease term and discount rate information is summarized as follows:

| | Year Ended December 31, 2020 | 2019 |
|---|---|---|
| Weighted-average remaining lease term (years) | | |
| Operating leases | 5.2 | 4.9 |
| Finance leases | 15.8 | 16.7 |
| Weighted-average discount rate | | |
| Operating leases | 4.1 % | 3.6 % |
| Finance leases | 5.2 % | 5.2 % |

Maturities of lease liabilities as of December 31, 2020 is as follows:

| | Operating Leases | Finance Leases |
|---|---|---|
| Year | | |
| 2021 | $ 32.1 | $ 5.0 |
| 2022 | 24.6 | 5.9 |
| 2023 | 17.4 | 5.9 |
| 2024 | 11.3 | 5.9 |
| 2025 | 8.9 | 6.0 |
| Thereafter | 23.2 | 67.9 |
| Total lease payments | 117.5 | 96.6 |
| Less: imputed interest | 13.1 | 32.6 |
| Present value of lease liabilities | $ 104.4 | $ 64.0 |

(In millions, unless otherwise noted)

## (8) LONG-TERM EMPLOYEE BENEFITS

***Defined Benefit Pensions***

Axalta has defined benefit plans that cover certain employees worldwide, with over 85% of the projected benefit obligation within the European region as of December 31, 2020.

***Obligations and Funded Status***

The measurement date used to determine defined benefit obligations was December 31. The following table sets forth the changes to the projected benefit obligations ("PBO") and plan assets for the years ended December 31, 2020 and 2019 and the funded status and amounts recognized in the accompanying consolidated balance sheets at December 31, 2020 and 2019 for our defined benefit pension plans:

| | Year Ended December 31, 2020 | Year Ended December 31, 2019 |
|---|---|---|
| Change in benefit obligation: | | |
| Projected benefit obligation at beginning of year | $ 640.7 | $ 583.7 |
| Service cost | 7.6 | 7.2 |
| Interest cost | 9.7 | 13.1 |
| Participant contributions | 1.3 | 1.2 |
| Actuarial loss, net | 41.9 | 60.9 |
| Plan curtailments, settlements and special termination benefits | (15.4) | (7.1) |
| Benefits paid | (22.8) | (22.5) |
| Business combinations and other adjustments | 1.5 | (0.1) |
| Foreign currency translation | 39.5 | 4.3 |
| Projected benefit obligation at end of year | 704.0 | 640.7 |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of year | 356.9 | 332.3 |
| Actual return on plan assets | 26.8 | 28.3 |
| Employer contributions | 24.1 | 16.9 |
| Participant contributions | 1.3 | 1.2 |
| Benefits paid | (22.8) | (22.5) |
| Settlements | (16.7) | (7.4) |
| Business combinations and other adjustments | 0.6 | (0.1) |
| Foreign currency translation | 16.5 | 8.2 |
| Fair value of plan assets at end of year | 386.7 | 356.9 |
| Funded status, net | $ (317.3) | $ (283.8) |
| Amounts recognized in the consolidated balance sheets consist of: | | |
| Other assets | $ 5.5 | $ 13.0 |
| Other accrued liabilities | (12.9) | (11.6) |
| Accrued pensions | (309.9) | (285.2) |
| Net amount recognized | $ (317.3) | $ (283.8) |

Net actuarial losses for 2020 and 2019 were primarily due to reductions in the discount rate across the majority of our plans relative to the rates used in the preceding year to determine benefit obligations (see assumptions table below), which were caused by market volatility during the periods.

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

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

The following table reflects the ABO for all defined benefit pension plans as of December 31, 2020 and 2019. Further, the table reflects the aggregate PBO, ABO and fair value of plan assets for pension plans with PBO in excess of plan assets and for pension plans with ABO in excess of plan assets.

| | Year Ended December 31, 2020 | Year Ended December 31, 2019 |
|---|---|---|
| ABO | $ 675.1 | $ 613.5 |
| Plans with PBO in excess of plan assets: | | |
| PBO | $ 493.8 | $ 401.0 |
| ABO | $ 464.9 | $ 374.2 |
| Fair value plan assets | $ 171.0 | $ 104.2 |
| Plans with ABO in excess of plan assets: | | |
| PBO | $ 488.8 | $ 401.0 |
| ABO | $ 460.7 | $ 374.2 |
| Fair value plan assets | $ 166.4 | $ 104.2 |

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

| | Year Ended December 31, 2020 | Year Ended December 31, 2019 |
|---|---|---|
| Accumulated net actuarial losses | $ (123.8) | $ (97.9) |
| Accumulated prior service credit | 1.6 | 1.5 |
| Total | $ (122.2) | $ (96.4) |

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

The estimated pre-tax amounts that are expected to be amortized from AOCI into the consolidated statements of operations as net periodic benefit cost during 2021 for the defined benefit plans is as follows:

| | 2021 |
|---|---|
| Amortization of net actuarial losses, net | $ (5.1) |
| Amortization of prior service credit, net | 0.1 |
| Total | $ (5.0) |

(In millions, unless otherwise noted)

***Components of Net Periodic Benefit Cost***

The following table sets forth the pre-tax components of net periodic benefit costs for our defined benefit plans for the years ended December 31, 2020, 2019 and 2018.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Components of net periodic benefit cost and amounts recognized in comprehensive income: | | | |
| Net periodic benefit cost: | | | |
| Service cost | $ 7.6 | $ 7.2 | $ 8.8 |
| Interest cost | 9.7 | 13.1 | 13.1 |
| Expected return on plan assets | (12.8) | (13.9) | (16.1) |
| Amortization of actuarial loss, net | 3.4 | 1.9 | 1.3 |
| Amortization of prior service credit | — | (0.1) | (0.1) |
| Curtailment gain | (4.2) | (2.3) | (0.7) |
| Settlement loss | 2.3 | 1.1 | 0.6 |
| Special termination benefit loss | 1.5 | 0.3 | — |
| Net periodic benefit cost | 7.5 | 7.3 | 6.9 |
| Changes in plan assets and benefit obligations recognized in other comprehensive income: | | | |
| Net actuarial loss, net | 28.4 | 46.7 | 6.7 |
| Amortization of actuarial loss, net | (3.4) | (1.9) | (1.3) |
| Prior service (credit) cost | (0.3) | — | 0.8 |
| Amortization of prior service credit | — | 0.1 | 0.1 |
| Curtailment gain | 4.2 | 2.3 | 0.7 |
| Settlement loss | (2.3) | (1.1) | (0.6) |
| Other adjustments | (1.3) | — | — |
| Total loss recognized in other comprehensive income | 25.3 | 46.1 | 6.4 |
| Total recognized in net periodic benefit cost and comprehensive income | $ 32.8 | $ 53.4 | $ 13.3 |

(In millions, unless otherwise noted)

***Assumptions***

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

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Weighted-average assumptions:** | | | |
| Discount rate to determine benefit obligation | 1.12 % | 1.58 % | 2.27 % |
| Discount rate to determine net cost | 1.58 % | 2.27 % | 2.13 % |
| Rate of future compensation increases to determine benefit obligation | 2.71 % | 2.73 % | 2.68 % |
| Rate of future compensation increases to determine net cost | 2.73 % | 2.68 % | 2.69 % |
| Rate of return on plan assets to determine net cost | 3.71 % | 4.21 % | 4.47 % |
| Cash balance interest credit rate to determine benefit obligation | 0.40 % | 0.49 % | 1.13 % |
| Cash balance interest credit rate to determine net cost | 0.49 % | 1.13 % | 0.96 % |

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

*Estimated future benefit payments*

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

| Year ended December 31, | Benefits |
|---|---|
| 2021 | $ 31.9 |
| 2022 | $ 29.3 |
| 2023 | $ 32.2 |
| 2024 | $ 36.5 |
| 2025 | $ 37.4 |
| 2026—2030 | $ 192.6 |

***Plan Assets***

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

Equity securities include varying market capitalization levels. U.S. equity securities are primarily large-cap companies. Fixed income investments include corporate issued, government issued, and asset backed securities. Corporate debt securities include a range of credit risk and industry diversification. Other investments include real estate and private market securities such as insurance contracts, interests in private equity, and venture capital partnerships. Assets measured using the net asset value per share practical expedient ("NAV") include debt asset backed securities, hedge funds, and real estate funds. Debt asset backed securities primarily consist of collateralized debt obligations. The market values for these assets are based on the NAV multiplied by the number of shares owned.

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

(In millions, unless otherwise noted)

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

| Asset Category | 2020 | 2019 | Target Allocation |
|---|---|---|---|
| Equity securities | 20-25% | 20-25% | 20-25% |
| Debt securities | 30-35% | 30-35% | 30-35% |
| Real estate | 0-5% | 0-5% | 0-5% |
| Other | 40-45% | 40-45% | 40-45% |

The table below presents the fair values of the defined benefit pension plan assets by level within the fair value hierarchy, as described in Note 1, at December 31, 2020 and 2019, respectively. Defined benefit pension plan assets measured using NAV have not been categorized in the fair value hierarchy.

| | Fair value measurements at December 31, 2020 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Asset Category: | | | | |
| Cash and cash equivalents | $ 5.8 | $ 5.8 | $ — | $ — |
| U.S. equity securities | 38.1 | 37.9 | — | 0.2 |
| Non-U.S. equity securities | 48.4 | 45.2 | 0.4 | 2.8 |
| Debt securities—government issued | 77.9 | 54.0 | 20.2 | 3.7 |
| Debt securities—corporate issued | 41.5 | 28.5 | 10.3 | 2.7 |
| Private market securities and other | 136.0 | 0.2 | 1.7 | 134.1 |
| Total carried at fair value | $ 347.7 | $ 171.6 | $ 32.6 | $ 143.5 |
| Investments measured at NAV | 39.0 | | | |
| Total | $ 386.7 | | | |

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

(In millions, unless otherwise noted)

Level 3 assets are primarily insurance contracts pledged on behalf of employees with benefits in certain countries, ownership interests in investment partnerships, trusts that own private market securities and other debt and equity investments. The fair values of our insurance contracts are determined based on the cash surrender value or the present value of the expected future benefits to be paid under the contract, discounted at a rate consistent with the related benefit obligation. Debt and equity securities consist primarily of small investments in other investments that are valued at different frequencies based on the value of the underlying investments. The table below presents a roll forward of activity for these assets for the years ended December 31, 2020 and 2019.

| | Level 3 assets | | | |
|---|---|---|---|---|
| | Total | Private market securities and other | Debt and equity | Real estate investments |
| Ending balance at December 31, 2018 | $ 151.7 | $ 126.9 | $ 11.2 | $ 13.6 |
| Change in unrealized gain | 2.5 | 1.5 | 0.7 | 0.3 |
| Purchases, sales, issues and settlements | (8.6) | (4.6) | (1.9) | (2.1) |
| Transfers in/(out) of Level 3 | (11.5) | — | — | (11.5) |
| Ending balance at December 31, 2019 | $ 134.1 | $ 123.8 | $ 10.0 | $ 0.3 |
| Realized (loss) | — | — | — | — |
| Change in unrealized gain | 12.5 | 11.5 | 0.9 | 0.1 |
| Purchases, sales, issues and settlements | (3.8) | (2.2) | (1.5) | (0.1) |
| Transfers in/(out) of Level 3 | 0.7 | 0.7 | — | — |
| Ending balance at December 31, 2020 | $ 143.5 | $ 133.8 | $ 9.4 | $ 0.3 |

***Assumptions and Sensitivities***

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

The long-term rate of return assumption represents the expected average rate of earnings on the funds invested to provide for the benefits included in the benefit obligations. The long-term rate of return assumption is determined based on a number of factors, including historical market index returns, the anticipated long-term asset allocation of the plans, historical plan return data, plan expenses and the potential to outperform market index returns. For 2021, the expected long-term rate of return is 3.55%.

***Anticipated Contributions to Defined Benefit Plan***

For funded pension plans, our funding policy is to fund amounts for pension plans sufficient to meet minimum requirements set forth in applicable benefit laws and local tax laws. Based on the same assumptions used to measure our benefit obligations at December 31, 2020, we expect to contribute $5.5 million to our defined benefit plans during 2021.

***Defined Contribution Plans***

The Company sponsors defined contribution plans in both its U.S. and non-U.S. subsidiaries, under which salaried and certain hourly employees may defer a portion of their compensation. Eligible participants may contribute to the plan up to the allowable amount as determined by the plan of their regular compensation before taxes. All contributions and Company matches are invested at the direction of the employee. Company matching contributions vest immediately and aggregated to $42.2 million, $48.7 million and $43.8 million for the years ended December 31, 2020, 2019 and 2018, respectively.

## (9) STOCK-BASED COMPENSATION

During the years ended December 31, 2020, 2019 and 2018, we recognized $15.1 million, $15.7 million and $37.3 million, respectively, in stock-based compensation expense, which was allocated between costs of goods sold and selling, general and administrative expenses on the consolidated statements of operations. We recognized tax benefits on stock-based compensation of $2.4 million, $0.3 million and $6.7 million for the years ended December 31, 2020, 2019 and 2018, respectively.

***Description of Equity Incentive Plan***

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

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

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

During 2020, we granted restricted stock units and performance share units to certain employees and directors. All awards were granted under the 2014 Plan. The performance share units are subject to certain performance and market conditions, in addition to service-based vesting conditions. During 2020, the Company withheld shares and used cash to settle certain employees' tax obligation resulting from the vesting of awards in the amount of $1.1 million.

***Stock Options***

The Black-Scholes option pricing model was used to estimate fair values of the options as of the date of the grant. During 2020, there were no options granted. The weighted average fair values of options granted in 2019 and 2018 were $6.98 and $6.78 per share, respectively. A majority of these awards vest ratably over three years. Principal weighted average assumptions used in applying the Black-Scholes model were as follows:

| | 2019 Grants | 2018 Grants |
|---|---|---|
| Expected Term | 6.0 years | 6.0 years |
| Volatility | 20.25 % | 20.27 % |
| Dividend Yield | — | — |
| Discount Rate | 2.47 % | 2.66 % |

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

A summary of stock option award activity as of and for the year ended December 31, 2020 is presented below:

| | 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 | (0.3) | $ 15.07 | | |
| Forfeited | (0.2) | $ 28.88 | | |
| Outstanding at December 31, 2020 | 2.5 | $ 27.34 | | |
| Vested and expected to vest at December 31, 2020 | 2.5 | $ 27.34 | $ 6.4 | 4.51 |
| Exercisable at December 31, 2020 | 2.0 | $ 27.30 | $ 5.8 | 3.71 |

Cash received by the Company upon exercise of options in 2020 was $5.4 million. Tax benefits on these exercises were $0.6 million. For the years ended December 31, 2020, 2019 and 2018, the intrinsic value of options exercised was $4.3 million, $56.6 million and $33.6 million, respectively.

The fair value of shares vested during 2020, 2019 and 2018 was $3.2 million, $5.4 million and $6.8 million, respectively.

At December 31, 2020, there was $0.8 million of unrecognized compensation cost relating to outstanding unvested stock options expected to be recognized over the weighted average period of 1.0 year.

***Restricted Stock Awards and Restricted Stock Units***

During the year ended December 31, 2020, we issued 0.5 million shares of restricted stock units. A majority of these awards vest ratably over three years.

A summary of restricted stock and restricted stock unit award activity as of and for the year ended December 31, 2020 is presented below:

| | Awards (in millions) | Weighted-Average Fair Value |
|---|---|---|
| Outstanding at January 1, 2020 | 1.2 | $ 28.45 |
| Granted | 0.5 | $ 29.30 |
| Vested | (0.6) | $ 28.57 |
| Forfeited | (0.1) | $ 28.47 |
| Outstanding at December 31, 2020 | 1.0 | $ 28.84 |

At December 31, 2020, there was $11.3 million of unamortized expense relating to unvested restricted stock awards and restricted stock units that is expected to be amortized over a weighted average period of 1.6 years.

The intrinsic value of awards vested during 2020, 2019 and 2018 was $14.7 million, $19.7 million and $36.2 million, respectively. The total fair value of awards vested during 2020, 2019 and 2018 was $15.8 million, $20.9 million and $35.3 million, respectively. Tax shortfalls on these exercises were $0.3 million.

***Performance Stock Awards and Performance Share Units***

During the years ended December 31, 2020 and 2019, the Company granted performance share units ("PSUs") to certain employees of the Company as part of their annual equity compensation award. During the years prior to December 31, 2019, the Company granted performance share awards and performance share units (collectively referred to as "PSAs").

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

PSUs granted in 2019 and 2020 are subject to the same service conditions, but also include performance conditions related to internal profitability and return on invested capital metrics over a cumulative performance period of three years, as well as three individual one-year performance periods. At the end of the three-year performance period, the number of PSUs earned based on performance relative to the profitability and invested capital metrics are subject to a market condition in the form of a positive or negative TSR modifier relative to the S&P 500 for 2019 grants and the S&P 400 Materials Index for 2020 grants, over the same three-year performance period. The actual number of shares awarded will be between zero and 200% of the target award amount.

A summary of PSA and PSU activity as of and for the year ended December 31, 2020 is presented below:

| | Awards (in millions) | Weighted-Average Fair Value |
|---|---|---|
| Outstanding at January 1, 2020 | 0.5 | $ 32.11 |
| Granted | 0.3 | $ 31.88 |
| Vested | (0.1) | $ 38.11 |
| Forfeited | (0.2) | $ 32.02 |
| Outstanding at December 31, 2020 | 0.5 | $ 31.07 |

Our PSAs and PSUs allow for participants to vest in more or less than the targeted number of shares granted. All of our awards are currently performing lower than the applicable targets. We currently expect a total of 0.2 million shares with a weighted average fair value per share of $30.48 to vest. At December 31, 2020, there was $4.5 million of unamortized expense relating to unvested PSAs and PSUs that are expected to be amortized over a weighted average period of 1.8 years. The forfeitures include PSAs and PSUs that vested below target.

## (10) OTHER EXPENSE (INCOME), NET

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Foreign exchange losses, net | $ 7.2 | $ 8.3 | $ 9.2 |
| Debt extinguishment and refinancing related costs | 34.4 | 0.2 | 9.5 |
| Other miscellaneous (income) expense, net | (8.2) | (12.9) | (3.7) |
| Total | $ 33.4 | $ (4.4) | $ 15.0 |

Debt extinguishment and refinancing related costs include third-party fees incurred, redemption premiums and the loss on extinguishment associated with the write-off of unamortized deferred financing costs and original issue discounts in conjunction with the restructuring and refinancing of our long-term borrowings, as discussed further in Note 18.

## (11) INCOME TAXES

In 2018, we completed our accounting of the income tax effects of the U.S. TCJA. Tax impacts in future periods may differ, possibly materially, due to changes in interpretations and assumptions that we have made, additional guidance that may be issued by regulatory bodies, and actions and related accounting policy decisions we may take as a result of the new legislation.

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. The Company expects to be able to realize the deferred tax assets resulting from these intra-entity asset transfers.

The Company's operations in Switzerland are subject to reduced tax rates through December 31, 2026, as long as certain conditions are met. Due to a pre-tax loss and the step-up of tax-deductible IP noted above in our Swiss subsidiary, the reduced tax rate holiday in Switzerland has an unfavorable impact in 2020. The tax expense attributable to this tax holiday was $13.2 million and $0.7 million for the years ended December 31, 2020 and 2019, respectively. The tax effect of the tax holiday on diluted net income per common share was $0.06 and $0.01 for the years ended December 31, 2020 and 2019, respectively.

***Domestic and Foreign Components of Income Before Income Taxes***

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Domestic | $ 85.4 | $ 223.4 | $ 194.8 |
| Foreign | 36.8 | 106.6 | 72.7 |
| Total | $ 122.2 | $ 330.0 | $ 267.5 |

(In millions, unless otherwise noted)

***Provision (Benefit) for Income Taxes***

| | Year Ended December 31, 2020 | | | Year Ended December 31, 2019 | | | Year Ended December 31, 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Current | Deferred | Total | Current | Deferred | Total | Current | Deferred | Total |
| U.S. federal | $ 1.8 | $ 9.9 | $ 11.7 | $ 8.3 | $ 27.1 | $ 35.4 | $ 7.2 | $ 6.8 | $ 14.0 |
| U.S. state and local | 6.0 | (1.9) | 4.1 | 5.3 | (9.2) | (3.9) | 2.7 | 12.8 | 15.5 |
| Foreign | 47.8 | (63.4) | (15.6) | 48.1 | (2.2) | 45.9 | 38.2 | (13.5) | 24.7 |
| Total | $ 55.6 | $ (55.4) | $ 0.2 | $ 61.7 | $ 15.7 | $ 77.4 | $ 48.1 | $ 6.1 | $ 54.2 |

***Reconciliation to U.S. Statutory Rate***

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | 2019 | | 2018 | |
| Statutory U.S. federal income tax rate [1] | $ 25.7 | 21.0 % | $ 69.3 | 21.0 % | $ 56.2 | 21.0 % |
| Earnings generated in jurisdictions where the statutory rate is different from the U.S. Federal rate | | | | | | |
| Foreign income taxed at rates other than U.S. statutory rate | (13.9) | (11.3) | (16.3) | (4.9) | (26.8) | (10.0) |
| Changes in valuation allowances | 10.0 | 8.2 | 18.8 | 5.7 | (37.5) | (14.0) |
| Foreign exchange gain (loss), net | 8.2 | 6.7 | (2.8) | (0.8) | 26.7 | 10.0 |
| Unrecognized tax benefits [2] | 54.9 | 44.9 | 11.2 | 3.4 | 18.9 | 7.1 |
| Foreign taxes | 7.0 | 5.7 | 21.4 | 6.5 | 6.7 | 2.5 |
| Non-deductible interest | 0.9 | 0.7 | 0.3 | 0.1 | 4.8 | 1.8 |
| Non-deductible expenses | 3.7 | 3.0 | 3.8 | 1.2 | 3.8 | 1.4 |
| Tax credits | (5.3) | (4.3) | (3.9) | (1.2) | (6.6) | (2.4) |
| Excess tax benefits relating to stock-based compensation | (0.3) | (0.2) | (11.4) | (3.5) | (6.6) | (2.4) |
| U.S. tax reform [3] | — | — | — | — | (12.5) | (4.7) |
| Base erosion and anti-tax abuse tax | — | — | 4.3 | 1.3 | 2.7 | 1.0 |
| U.S. state and local taxes, net | 2.8 | 2.3 | 6.6 | 2.0 | 1.8 | 0.7 |
| Intra-entity IP transfer step-up [4] | (50.8) | (41.6) | — | — | — | — |
| Other - net [5] | (42.7) | (34.9) | (23.9) | (7.3) | 22.6 | 8.3 |
| Total income tax provision / effective tax rate | $ 0.2 | 0.2 % | $ 77.4 | 23.5 % | $ 54.2 | 20.3 % |

(1) The U.S. statutory rate has been used as management believes it is more meaningful to the Company.
(2) In 2020 we recorded charges of $14.3 million in connection with the income tax audit in Germany and $27.3 million in the Netherlands related to realized exchange gain. The Netherlands item is fully offset by a tax benefit of $27.3 million recorded in 2020 to adjust to the prior year tax filing position.
(3) Tax effect of the U.S. TCJA recorded under SAB 118.
(4) Related to the step-up of tax deductible basis upon transfer of certain intellectual property rights to our Swiss subsidiary.
(5) In 2020, the Company recorded a tax benefit of $41.8 million in the Netherlands, of which $27.3 million is related to realized exchange gain and $14.5 million related to rate change on deferred taxes, which are both fully offset by a tax expense of $27.3 million for the increase to unrecognized tax benefits and $14.5 million for an increase to the valuation allowance, respectively. In 2019, the Company recorded a tax benefit of $24.9 million in Luxembourg related to a local statutory impairment, which is fully offset by a tax expense of $24.9 million for the increase to the valuation allowance.

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

***Deferred Tax Balances***

| | Year Ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| **Deferred tax asset** | | |
| Tax loss, credit and interest carryforwards | $ 259.2 | $ 245.3 |
| Goodwill and intangibles | 12.0 | — |
| Compensation and employee benefits | 90.4 | 80.8 |
| Accruals and other reserves | 18.0 | 17.2 |
| Research and development capitalization | 19.4 | 6.5 |
| Equity investment and other securities | 33.4 | 28.3 |
| Finance leases | 20.0 | 19.1 |
| Other | 6.6 | 3.7 |
| Total deferred tax assets | 459.0 | 400.9 |
| Less: valuation allowance | (208.1) | (178.3) |
| Total deferred tax assets, net of valuation allowance | 250.9 | 222.6 |
| **Deferred tax liabilities** | | |
| Goodwill and intangibles | — | (20.8) |
| Property, plant and equipment | (133.5) | (147.7) |
| Unremitted earnings | (7.1) | (6.0) |
| Long-term debt | (0.7) | (1.3) |
| Total deferred tax liabilities | (141.3) | (175.8) |
| **Net deferred tax asset** | $ 109.6 | $ 46.8 |
| | | |
| Non-current assets | $ 223.6 | $ 162.3 |
| Non-current liability | (114.0) | (115.5) |
| Net deferred tax asset | $ 109.6 | $ 46.8 |

| ***Tax loss, tax credit and interest carryforwards*** | Year Ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Tax loss carryforwards (tax effected) [(1)] | | |
| Expire within 10 years | $ 78.7 | $ 61.9 |
| Expire after 10 years or indefinite carryforward | 115.8 | 120.7 |
| Tax credit carryforwards | | |
| Expire within 10 years | 1.6 | 1.9 |
| Expire after 10 years or indefinite carryforward | 17.3 | 24.4 |
| Interest carryforwards | | |
| Expire within 10 years | 2.9 | 1.2 |
| Expire after 10 years or indefinite carryforward | 42.9 | 35.2 |
| Total tax loss, tax credit and interest carryforwards | $ 259.2 | 245.3 |

(1) Net of unrecognized tax benefits

(In millions, unless otherwise noted)

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

***Valuation allowance***

| | Year Ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Non-U.S. | $ 205.0 | $ 175.8 |
| U.S. | 3.1 | 2.5 |
| Total valuation allowance | $ 208.1 | $ 178.3 |

Valuation allowances relate primarily to the tax loss and tax credit carryforwards, as well as equity investment in foreign jurisdictions, where the Company does not believe the associated net deferred tax assets will be realized, due to expiration, limitation or insufficient future taxable income. The non-U.S. valuation allowance primarily relates to tax loss carryforwards from operations in Luxembourg and Netherlands, of $176.2 million and $151.5 million at December 31, 2020 and 2019, respectively. The U.S. valuation allowance relates to state net deferred tax assets.

***Total Gross Unrecognized Tax Benefits***

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Total gross unrecognized tax benefits at January 1 | $ 45.3 | $ 37.0 | $ 17.2 |
| Increases related to positions taken on items from prior years | 50.9 | 3.9 | 3.4 |
| Decreases related to positions taken on items from prior years | — | (1.0) | (1.8) |
| Increases related to positions taken in the current year | 3.7 | 5.5 | 18.2 |
| Settlement of uncertain tax positions with tax authorities | — | (0.1) | — |
| Decrease due to expiration of statues of limitations | (0.3) | — | — |
| Total gross unrecognized tax benefits at December 31 | 99.6 | 45.3 | 37.0 |
| Total accrual for interest and penalties associated with unrecognized tax benefits (1) | 10.9 | 5.0 | 3.1 |
| Total gross unrecognized tax benefits at December 31, including interest and penalties | $ 110.5 | $ 50.3 | $ 40.1 |
| | | | |
| Total unrecognized tax benefits that, if recognized, would impact the effective tax rate | $ 57.6 | $ 31.7 | $ 25.2 |
| Interest and penalties included as components of the "Provision (benefit) for income taxes" | $ 5.9 | $ 1.9 | $ 1.9 |

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

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

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 disagrees with the conclusions of the GTA based on the technical merits of our positions, after extensive discussions with the GTA and to avoid a potentially long and costly litigation process, 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. The Company is also currently under audit in Germany for tax years 2014-2017 and is prepared to vigorously defend itself on these matters.

The Company anticipates that it is reasonably possible it will settle up to $12.1 million, exclusive of interest and penalties, of its current unrecognized tax benefits within 2021 due to the conclusion of the 2010-2013 German income tax audit.

## (12) NET INCOME PER COMMON SHARE

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

| | Year Ended December 31, | | |
|---|---|---|---|
| (In millions, except per share data) | 2020 | 2019 | 2018 |
| Net income to common shareholders | $ 121.6 | $ 249.0 | $ 207.1 |
| Basic weighted average shares outstanding | 235.2 | 233.9 | 239.0 |
| Diluted weighted average shares outstanding | 236.0 | 235.8 | 242.9 |
| Net income per common share: | | | |
| Basic net income per share | $ 0.52 | $ 1.06 | $ 0.87 |
| Diluted net income per share | $ 0.52 | $ 1.06 | $ 0.85 |

The number of anti-dilutive shares that have been excluded in the computation of diluted net income per share for the years ended December 31, 2020, 2019 and 2018 were 2.7 million, 2.6 million and 2.6 million, respectively.

## (13) 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.

| | Year Ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Accounts receivable—trade, net [1] | $ 738.3 | $ 718.4 |
| Notes receivable | 30.3 | 24.7 |
| Other | 101.2 | 87.0 |
| Total | $ 869.8 | $ 830.1 |

(1) Allowance for doubtful accounts was $26.5 million and $16.0 million at December 31, 2020 and 2019, respectively.

Bad debt expense of $11.7 million, $5.5 million and $2.3 million was included within selling, general and administrative expenses for the years ended December 31, 2020, 2019 and 2018, respectively.

## (14) INVENTORIES

| | Year Ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Finished products | $ 319.3 | $ 327.4 |
| Semi-finished products | 92.2 | 109.9 |
| Raw materials | 127.2 | 133.7 |
| Stores and supplies | 21.2 | 20.6 |
| Total | $ 559.9 | $ 591.6 |

Inventory reserves were $17.0 million and $13.1 million at December 31, 2020 and 2019, respectively. The increase in our reserve at December 31, 2020, includes impacts from obsolescence due to a lower demand environment resulting from the COVID-19 pandemic.

(In millions, unless otherwise noted)

## (15) PROPERTY, PLANT AND EQUIPMENT, NET

| | Useful Lives (years) | Year Ended December 31, 2020 | 2019 |
|---|---|---|---|
| Land | | $ 81.5 | $ 84.5 |
| Buildings and improvements | 5 - 25 | 545.1 | 541.6 |
| Machinery and equipment | 3 - 25 | 1,376.6 | 1,324.1 |
| Software | 5 - 7 | 119.9 | 128.3 |
| Other | 3 - 20 | 72.6 | 71.5 |
| Construction in progress | | 122.2 | 81.9 |
| Total | | 2,317.9 | 2,231.9 |
| Accumulated depreciation | | (1,123.4) | (1,008.9) |
| Property, plant and equipment, net | | $ 1,194.5 | $ 1,223.0 |

Depreciation amounted to $137.2 million, $169.9 million and $183.4 million for the years ended December 31, 2020, 2019 and 2018, respectively.

We capitalized interest of $2.0 million, $2.0 million and $4.0 million for the years ended December 31, 2020, 2019 and 2018, respectively.

## (16) OTHER ASSETS

| | Year Ended December 31, 2020 | 2019 |
|---|---|---|
| Available for sale securities | $ 1.7 | $ 1.6 |
| Deferred income taxes—non-current | 223.6 | 162.3 |
| Business incentive plan assets | 165.4 | 191.2 |
| Operating lease ROU assets | 101.3 | 95.6 |
| Other assets [1] | 101.1 | 138.1 |
| Total | $ 593.1 | $ 588.8 |

(1) Includes other upfront incentives made in conjunction with long-term customer commitments of $66.1 million and $71.0 million at December 31, 2020 and 2019, respectively, which will be repaid in future periods.

## (17) ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

| | Year Ended December 31, 2020 | 2019 |
|---|---|---|
| **Accounts Payable** | | |
| Trade payables | $ 513.4 | $ 442.0 |
| Non-income taxes | 26.1 | 20.5 |
| Other | 24.9 | 21.2 |
| Total | $ 564.4 | $ 483.7 |
| | | |
| **Other Accrued Liabilities** | | |
| Compensation and other employee-related costs | $ 204.2 | $ 188.2 |
| Restructuring—current | 46.2 | 76.5 |
| Discounts, rebates, and warranties | 136.3 | 148.2 |
| Operating lease liabilities | 28.8 | 29.3 |
| Income taxes payable | 30.3 | 16.4 |
| Other | 116.5 | 86.7 |
| Total | $ 562.3 | $ 545.3 |

(In millions, unless otherwise noted)

## (18) BORROWINGS

| | Year Ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| 2024 Dollar Term Loans | $ 2,063.2 | $ 2,387.5 |
| 2024 Dollar Senior Notes | — | 500.0 |
| 2024 Euro Senior Notes | — | 375.2 |
| 2025 Euro Senior Notes | 552.1 | 504.0 |
| 2027 Dollar Senior Notes | 500.0 | — |
| 2029 Dollar Senior Notes | 700.0 | — |
| Short-term and other borrowings | 118.0 | 109.0 |
| Unamortized original issue discount | (6.3) | (10.5) |
| Unamortized deferred financing costs | (34.3) | (31.1) |
| Total borrowings, net | 3,892.7 | 3,834.1 |
| Less: | | |
| Short-term borrowings | 29.9 | 19.6 |
| Current portion of long-term borrowings | 24.3 | 24.3 |
| Long-term debt | $ 3,838.5 | $ 3,790.2 |

***Senior Secured Credit Facilities, as amended***

On June 1, 2017, Axalta Coating Systems Dutch Holdings B B.V. ("Dutch B B.V.") and its indirect 100% owned subsidiary, Axalta Coating Systems U.S. Holdings, Inc. ("Axalta US Holdings") executed the fifth amendment (the "Fifth Amendment") to the credit agreement (the "Credit Agreement") governing our Senior Secured Credit Facilities. The Fifth Amendment converted all of the outstanding 2023 Dollar Term Loans ($1,541.1 million) into a new upsized tranche of term loans with principal of $2,000.0 million (the "2024 Dollar Term Loans"). The 2024 Dollar Term Loans were issued at 99.875% of par, or a $2.5 million discount.

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

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

On November 10, 2020, the Company entered into the Ninth Amendment to the Credit Agreement (the "Ninth Amendment"). The Ninth Amendment amended the Credit Agreement to, among other things, permit any entity that is a successor by merger, conversion, legal continuation, continuation to a foreign jurisdiction or otherwise to the Parent Borrower (as defined in the Credit Agreement), to assume the obligations of Parent Borrower under the Credit Agreement and certain related agreements under the Senior Secured Credit Facilities, subject to the terms and conditions of the Ninth Amendment as well as the Credit Agreement.

Interest is payable quarterly on the 2024 Dollar Term Loans.

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

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

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

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

We are subject to customary negative covenants in addition to the First Lien Leverage Ratio financial covenant for purposes of determining any Excess Cash Flow mandatory payment. Further, the Senior Secured Credit Facilities, among other things, include customary restrictions (subject to certain exceptions) on the Company's ability to incur certain indebtedness, grant certain liens, make certain investments, declare or pay certain dividends, or repurchase shares of the Company's common stock. As of December 31, 2020, the Company is in compliance with all covenants under the Senior Secured Credit Facilities.

*Revolving Credit Facility*

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

Under the Eighth Amendment, interest on any outstanding borrowings under the Revolving Credit Facility is subject to an interest margin of 1.50% for loans based on the Adjusted Eurocurrency Rate and 0.50% for loans based on the Base Rate with, in each case, a 0.25% increase when its First Lien Net Leverage Ratio is greater than or equal to 1.25:1.00 but less than or equal to 2.25:1.00 and another 0.25% increase when its First Lien Net Leverage Ratio is greater than 2.25:1.00. At December 31, 2020, the financial covenant is not applicable as there were no borrowings.

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

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

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

There have been no borrowings on the Revolving Credit Facility since the issuance of the Senior Secured Credit Facilities. At December 31, 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 December 31, 2020 and December 31, 2019, respectively.

*Significant Transactions*

During the year ended December 31, 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. Additionally, in connection with the Ninth Amendment discussed above, incurred $1.5 million in fees, of which $1.1 million was capitalized as deferred financing costs and $0.4 million was expensed.

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

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

***Significant Terms of the Senior Notes***

On August 16, 2016, Axalta Coating Systems, LLC ("U.S. Issuer"), issued $500.0 million in aggregate principal amount of 4.875% senior unsecured notes (the “2024 Dollar Senior Notes”) and €335.0 million in aggregate principal amount of 4.250% senior unsecured notes (the “2024 Euro Senior Notes”), each due August 2024 (collectively, the “2024 Senior Notes”). The 2024 Senior Notes were fully redeemed in November 2020, as described below.

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

The indenture governing the 2025 Euro Senior Notes contain covenants that restrict the ability of the Issuers and their subsidiaries to, among other things, incur additional debt, make certain payments including payment of dividends or repurchase equity interest of the Issuers, make loans or acquisitions or capital contributions and certain investments, incur certain liens, sell assets, merge or consolidate or liquidate other entities, and enter into transactions with affiliates.

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

In connection with the October 2018 Supplemental Indentures above, the Company became the parent guarantor of the 2025 Euro Senior Notes. Additionally, we recorded a loss of $0.4 million comprised of fees directly associated with the indentures. No deferred financing costs or original issue discounts were written off as a result of the October 2018 Supplemental Indentures.

During June 2020, the Issuers issued $500.0 million in aggregate principal amount of 4.750% Senior Notes due 2027 (the “2027 Dollar Senior Notes”).

The 2027 Dollar 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 Dollar 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.

(In millions, unless otherwise noted)

In November 2020, the Company issued $700.0 million in aggregate principal amount of 3.375% Senior Notes due 2029 (“2029 Dollar Senior Notes”, and together with the 2025 Euro Senior Notes and the 2027 Dollar Senior Notes, the "Senior Notes"). The net proceeds from the 2029 Dollar Senior Notes, together with cash on hand were used to redeem the $500.0 million aggregate principal amount of the 2024 Dollar Senior Notes and the €335.0 million aggregate principal amount of the 2024 Euro Senior Notes and pay related transaction costs and expenses (“November 2020 Restructuring”).

In connection with the November 2020 Restructuring, we recorded a $31.4 million loss on extinguishment and other financing-related costs for the year ended December 31, 2020. The loss was compromised of the redemption premium of $20.6 million, write off of unamortized deferred financing costs attributable to the 2024 Senior Notes of $9.8 million and other fees directly associated with the transaction of $1.0 million.

i) *2025 Euro Senior Notes*

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

| Period | 2025 Euro Senior Notes Percentage |
|---|---|
| 2021 | 101.875 % |
| 2022 | 100.938 % |
| 2023 and thereafter | 100.000 % |

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

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

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

ii) *2027 Dollar Senior Notes*

The 2027 Dollar 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 consolidated balance sheets and amortized over the life of the issuance. The 2027 Dollar Senior Notes bear interest at 4.750%, which is payable semi-annually on June 15th and December 15th. We have the option to redeem all or part of the 2027 Dollar Senior Notes at the following redemption prices (expressed as percentages of principal amount), plus accrued and unpaid interest, if any, on or after June 15th of the years indicated:

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

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 Dollar Senior Notes with the net cash proceeds of one or more Equity Offerings (as defined in the indenture governing the 2027 Dollar 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 Dollar Senior Notes have the right to require us to repurchase all or any part of the 2027 Dollar Senior Notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest, if any, to the repurchase date.

(In millions, unless otherwise noted)

The indebtedness under the 2027 Dollar 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 Dollar 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.

iii) *2029 Dollar Senior Notes*

The 2029 Dollar Senior Notes were issued at par and are due February 15, 2029. The 2029 Dollar Senior Notes bear interest at 3.375% which is payable semi-annually on February 15$^{th}$ and August 15$^{th}$. We have the option to redeem all or part of the 2029 Dollar Senior Notes at the following redemption prices (expressed as percentages of principal amount) on or after February 15$^{th}$ of the years indicated:

| Period | 2029 Dollar Senior Notes Percentage |
|---|---|
| 2024 | 101.688 % |
| 2025 | 100.844 % |
| 2026 and thereafter | 100.000 % |

Notwithstanding the foregoing, at any time prior to February 15, 2024, we may at our option redeem in the aggregate up to 40% of the original aggregate principal amount of the 2029 Dollar Senior Notes with the net cash proceeds of one or more Equity Offerings (as defined in the indenture governing the 2029 Dollar Senior Notes) at a redemption price of 103.375% 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 2029 Dollar Senior Notes have the right to require us to repurchase all or any part of the 2029 Dollar Senior Notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest, if any, to the repurchase date.

The 2029 Dollar Senior Notes, subject to local law limitations, are jointly and severally guaranteed on a senior unsecured basis by the Company and each of its existing and future direct and indirect subsidiaries that is a borrower under or that guarantees the Senior Secured Credit Facilities.

Under certain circumstances, the guarantors may be released from their guarantees without the consent of the holders of the applicable series of notes.

The indebtedness issued through the 2029 Dollar Senior Notes is a senior unsecured obligation which is senior in right of payment to all future subordinated indebtedness of the Company and guarantors and is equal in right of payment to all existing and future senior indebtedness of the Company and guarantors. The 2029 Dollar Senior Notes are effectively subordinated to any secured indebtedness of the Company and guarantors (including indebtedness outstanding under the Senior Secured Credit Facilities) to the extent of the value of the assets securing such indebtedness.

***Future repayments***

Below is a schedule of required future repayments of all borrowings outstanding at December 31, 2020.

| | |
|---|---|
| 2021 | $ 54.2 |
| 2022 | 54.3 |
| 2023 | 27.2 |
| 2024 | 1,993.3 |
| 2025 | 555.4 |
| Thereafter | 1,248.9 |
| Total borrowings | 3,933.3 |
| Unamortized original issue discount | (6.3) |
| Unamortized deferred financing costs | (34.3) |
| Total borrowings, net | $ 3,892.7 |

(In millions, unless otherwise noted)

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

***Fair value of financial instruments***

*Equity securities with readily determinable fair values* - Balances of equity securities are recorded within other assets, with any changes in fair value recorded within other 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 and cross-currency swaps are valued using broker quotations, or market transactions in either the listed or over-the-counter markets. As such, these derivative instruments are included in the Level 2 hierarchy.

The table below presents the fair values of our financial instruments measured on a recurring basis by level within the fair value hierarchy at December 31, 2020 and December 31, 2019.

| | December 31, 2020 | | | | December 31, 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | | | | | |
| Prepaid expenses and other current assets: | | | | | | | | |
| Cross-currency swaps (2) | $ — | $ 16.7 | $ — | $ 16.7 | $ — | $ 14.4 | $ — | $ 14.4 |
| Other assets: | | | | | | | | |
| Cross-currency swaps (2) | — | — | — | — | — | 8.0 | — | 8.0 |
| Investments in equity securities | 0.8 | — | — | 0.8 | 0.6 | — | — | 0.6 |
| **Liabilities** | | | | | | | | |
| Other accrued liabilities: | | | | | | | | |
| Interest rate caps (1) | — | 2.0 | — | 2.0 | — | 1.3 | — | 1.3 |
| Interest rate swaps (1) | — | 28.9 | — | 28.9 | — | 8.9 | — | 8.9 |
| Other liabilities: | | | | | | | | |
| Interest rate caps (1) | — | — | — | — | — | 1.2 | — | 1.2 |
| Interest rate swaps (1) | — | 31.1 | — | 31.1 | — | 20.5 | — | 20.5 |
| Cross-currency swaps (2) | — | 52.0 | — | 52.0 | — | — | — | — |
| Long-term borrowings: | | | | | | | | |
| 2024 Dollar Senior Notes | — | — | — | — | — | 520.2 | — | 520.2 |
| 2024 Euro Senior Notes | — | — | — | — | — | 388.2 | — | 388.2 |
| 2025 Euro Senior Notes | — | 564.3 | — | 564.3 | — | 520.7 | — | 520.7 |
| 2027 Dollar Senior Notes | — | 533.1 | — | 533.1 | — | — | — | — |
| 2029 Dollar Senior Notes | — | 704.6 | — | 704.6 | — | — | — | — |
| 2024 Dollar Term Loans | — | 2,043.0 | — | 2,043.0 | — | 2,396.5 | — | 2,396.5 |

(1) Cash flow hedge
(2) Net investment hedge

**Derivative Financial Instruments**

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

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

*Interest Rate Caps Designated as Cash Flow Hedges*

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

*Interest Rate Swaps Designated as Cash Flow Hedges*

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

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

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.

*Cross-Currency Swaps Designated as Net Investment Hedges*

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

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

During the three months ended December 31, 2020, in connection with the issuance of the 2029 Dollar Senior Notes we entered into two fixed-for-fixed cross currency swaps with aggregate notional amounts totaling €335.0 million to hedge the variability of exchange rate impacts between the U.S. Dollar and Euro. Under the terms of the cross-currency swap agreements, the Company notionally exchanged $396.3 million at a weighted average interest rate of 3.375% for €335.0 million at a weighted average interest rate of 2.15%. The cross-currency swaps are designated as net investment hedges and expire on February 15, 2029. These cross-currency swaps are marked to market at each reporting date and any unrealized gains or losses are included in unrealized currency translation adjustments, within AOCI.

(In millions, unless otherwise noted)

*Foreign Currency Forward Contracts Designated as Cash Flow Hedges*

During the year ended December 31, 2020, we designated foreign currency forward contracts with a notional value of $8.3 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.

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

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| AOCI: | | |
| Interest rate caps (cash flow hedges) | 2.6 | 3.5 |
| Interest rate swaps (cash flow hedges) | 60.0 | 29.4 |
| Foreign currency forward contracts (cash flow hedges) | 0.3 | — |
| Cross-currency swaps (net investment hedges) | 35.2 | (22.4) |
| Total AOCI | $ 98.1 | $ 10.5 |

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 year ended December 31, 2020, 2019 and 2018 for these cash flow and net investment hedges.

| | | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2020 | | 2019 | | 2018 | |
| Derivatives in Cash Flow and Net Investment Hedges | Location of Loss (Gain) Recognized in Income on Derivatives | 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 | Net Amount of (Gain) Loss Recognized in OCI on Derivatives | Amount of (Gain) Loss Recognized in Income |
| Interest rate caps | Interest expense, net | $ 1.2 | $ 2.1 | $ 6.2 | $ (0.7) | $ (7.3) | $ (1.9) |
| Interest rate swaps | Interest expense, net | 49.4 | 18.8 | 27.5 | 1.3 | 4.3 | 1.3 |
| Foreign currency forward contracts | Cost of goods sold | 0.3 | — | — | — | — | — |
| Cross-currency swaps | Interest expense, net | 42.6 | (15.0) | (31.9) | (14.7) | (37.1) | (9.4) |

Over the next 12 months, we expect losses of $31.9 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 Cash Flow Hedges***

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

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

| Derivatives Not Designated as Hedging Instruments under ASC 815 | Location of Loss (Gain) Recognized in Income on Derivatives | Year Ended December 31, 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Foreign currency forward contracts | Other expense (income), net | $ 3.3 | $ 2.8 | $ (7.9) |

(In millions, unless otherwise noted)

## (20) SEGMENTS

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

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

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

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Net sales [(1)]: | | | |
| Refinish | $ 1,449.0 | $ 1,760.4 | $ 1,759.6 |
| Industrial | 1,067.4 | 1,163.0 | 1,273.5 |
| Total Net sales Performance Coatings | 2,516.4 | 2,923.4 | 3,033.1 |
| Light Vehicle | 960.5 | 1,208.4 | 1,307.2 |
| Commercial Vehicle | 260.7 | 350.4 | 355.7 |
| Total Net sales Transportation Coatings | 1,221.2 | 1,558.8 | 1,662.9 |
| Total Net sales | $ 3,737.6 | $ 4,482.2 | $ 4,696.0 |
| | | | |
| | December 31, 2020 | December 31, 2019 | December 31, 2018 |
| Investment in unconsolidated affiliates: | | | |
| Performance Coatings | $ 2.0 | $ 2.4 | $ 2.7 |
| Transportation Coatings | 8.7 | 12.7 | 12.7 |
| Total | $ 10.7 | $ 15.1 | $ 15.4 |

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

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

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Segment Adjusted EBIT [(1)]: | | | |
| Performance Coatings | $ 344.3 | $ 449.1 | $ 399.5 |
| Transportation Coatings | 82.9 | 137.4 | 134.9 |
| Total [(2)] | 427.2 | 586.5 | 534.4 |
| Interest expense, net | 149.9 | 162.6 | 159.6 |
| Debt extinguishment and refinancing related costs [(a)] | 34.4 | 0.2 | 9.5 |
| Termination benefits and other employee related costs [(b)] | 74.9 | 35.2 | 81.7 |
| Strategic review and retention costs [(c)] | 30.7 | 13.4 | — |
| Offering and transactional costs [(d)] | 0.3 | 1.0 | 1.0 |
| Divestiture and impairment charges [(e)] | 5.7 | 21.1 | — |
| Pension special events [(f)] | (0.4) | (0.9) | — |
| Accelerated depreciation [(g)] | 9.2 | 24.3 | 10.3 |
| Indemnity loss (income) [(h)] | 0.3 | (0.4) | 4.3 |
| Change in fair value of equity investments [(i)] | — | — | 0.5 |
| Income before income taxes | $ 122.2 | $ 330.0 | $ 267.5 |

(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, which include recent incremental restructuring actions. 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, ending September 2021. These amounts are not considered indicative of our ongoing performance.

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

(e) Represents expenses and associated changes to estimates related to the sale of our joint venture business during 2019 and other impairments, which are not considered indicative of our ongoing 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.

(i) Represents mark to market impacts of our equity investments, which we do not consider to be indicative of our ongoing operating performance.

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

***Geographic Area Information:***

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

Net sales by region were as follows:

| | Year Ended December 31, 2020 | 2019 | 2018 |
|---|---|---|---|
| North America | $ 1,480.5 | $ 1,795.1 | $ 1,787.0 |
| EMEA | 1,375.7 | 1,577.2 | 1,677.5 |
| Asia Pacific | 546.3 | 653.5 | 759.6 |
| Latin America (1) | 335.1 | 456.4 | 471.9 |
| Total (2) | $ 3,737.6 | $ 4,482.2 | $ 4,696.0 |

Net long-lived assets by region were as follows:

| | Year Ended December 31, 2020 | 2019 |
|---|---|---|
| North America | $ 485.5 | $ 480.8 |
| EMEA | 406.4 | 403.1 |
| Asia Pacific | 202.6 | 209.2 |
| Latin America (1) | 100.0 | 129.9 |
| Total (3) | $ 1,194.5 | $ 1,223.0 |

(1) Includes Mexico

(2) Net Sales are attributed to countries based on location of the customer. Sales to external customers in China represented approximately 9%, 9% and 11% of the total for the years ended December 31, 2020, 2019 and 2018, respectively. Sales to external customers in Germany represented approximately 8% of the total for the years ended December 31, 2020, 2019 and 2018, respectively. Mexico represented 5%, 6%, and 6% of the total for the years ended December 31, 2020, 2019 and 2018, respectively. Canada, which is included in the North America region, represents approximately 4% of total net sales for the years ended December 31, 2020, 2019 and 2018, respectively.

(3) Long-lived assets consist of property, plant and equipment, net. Germany long-lived assets amounted to approximately $243.3 million and $233.6 million in the years ended December 31, 2020 and 2019, respectively. China long-lived assets amounted to $167.3 million and $171.0 million in the years ended December 31, 2020 and 2019, respectively. Brazil long-lived assets amounted to approximately $36.2 million and $51.9 million in the years ended December 31, 2020 and 2019, respectively. Canada long-lived assets, which are included in the North America region, amounted to approximately $21.7 million and $25.0 million in the years ended December 31, 2020 and 2019, respectively.

## (21) ACCUMULATED OTHER COMPREHENSIVE LOSS

| | Unrealized Currency Translation Adjustments | Pension Plan Adjustments | Unrealized Gain on Securities | Unrealized Gain (Loss) on Derivatives | Accumulated Other Comprehensive Loss |
|---|---|---|---|---|---|
| Balance, December 31, 2019 | $ (297.0) | $ (69.9) | $ — | $ (28.6) | $ (395.5) |
| Current year deferrals to AOCI | 15.0 | (20.5) | — | (43.4) | (48.9) |
| Reclassifications from AOCI to Net income | — | 1.7 | — | 17.9 | 19.6 |
| Net Change | $ 15.0 | $ (18.8) | $ — | $ (25.5) | $ (29.3) |
| Balance, December 31, 2020 | $ (282.0) | $ (88.7) | $ — | $ (54.1) | $ (424.8) |

The cumulative income tax benefit related to the adjustments for pension benefits at December 31, 2020 was $33.5 million. The cumulative income tax benefit related to the adjustments for unrealized loss on derivatives at December 31, 2020 was $8.8 million.

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

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

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

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

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

### (22) QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended December 31, 2020 and 2019, respectively (in millions, except per share data):

| 2020 | March 31 | June 30 | September 30 | December 31 | Full Year |
|---|---|---|---|---|---|
| Net sales | $ 983.5 | $ 652.7 | $ 1,026.9 | $ 1,074.5 | $ 3,737.6 |
| Cost of goods sold | 646.8 | 499.2 | 634.1 | 677.8 | 2,457.9 |
| Income (loss) from operations | 65.1 | (64.5) | 141.7 | 163.2 | 305.5 |
| Net income (loss) | 52.4 | (83.2) | 82.5 | 70.3 | 122.0 |
| Net income (loss) attributable to controlling interests | 52.2 | (82.8) | 82.5 | 69.7 | 121.6 |
| Basic net income (loss) per share | $ 0.22 | $ (0.35) | $ 0.35 | $ 0.30 | $ 0.52 |
| Diluted net income (loss) per share | $ 0.22 | $ (0.35) | $ 0.35 | $ 0.30 | $ 0.52 |

| 2019 | March 31 | June 30 | September 30 | December 31 | Full Year |
|---|---|---|---|---|---|
| Net sales | $ 1,119.3 | $ 1,157.5 | $ 1,107.0 | $ 1,098.4 | $ 4,482.2 |
| Cost of goods sold | 751.3 | 748.4 | 707.4 | 710.8 | 2,917.9 |
| Income from operations | 98.6 | 157.9 | 123.0 | 108.7 | 488.2 |
| Net income | 44.1 | 99.9 | 66.4 | 42.2 | 252.6 |
| Net income attributable to controlling interests | 43.4 | 98.4 | 65.5 | 41.7 | 249.0 |
| Basic net income per share | $ 0.19 | $ 0.42 | $ 0.28 | $ 0.18 | $ 1.06 |
| Diluted net income per share | $ 0.18 | $ 0.42 | $ 0.28 | $ 0.18 | $ 1.06 |

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

***Evaluation of disclosure controls and procedures***

As required by Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act"), the Company carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. No matter how well designed and operated, disclosure controls and procedures can provide only reasonable, rather than absolute, assurance of achieving the desired control objectives. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at a reasonable assurance level as of December 31, 2020.

***Management's report on internal control over financial reporting***

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

Management assessed the effectiveness of the Company’s internal control over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in *Internal Control—Integrated Framework* (2013). Based on this assessment, management concluded that, as of December 31, 2020, the Company's internal control over financial reporting was effective.

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

***Changes in internal control over financial reporting***

There were no changes in the Company’s internal control over financial reporting that occurred during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

## PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information about the Company’s directors required by Item 10 and not otherwise set forth below is contained under the caption "Proposal No. 1: Election of Directors" in Axalta’s definitive Proxy Statement for the 2021 Annual General Meeting of Members (the "Proxy Statement") which the Company anticipates filing with the Securities and Exchange Commission, pursuant to Regulation 14A, not later than 120 days after the end of the Company’s fiscal year, and is incorporated herein by reference.

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

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

The following table provides information regarding our executive officers:

| Name | Age* | Position |
|---|---|---|
| Robert W. Bryant | 52 | Chief Executive Officer and President |
| Sean M. Lannon | 42 | Senior Vice President and Chief Financial Officer |
| Brian A. Berube | 58 | Senior Vice President, General Counsel and Corporate Secretary |
| Troy D. Weaver | 49 | Senior Vice President, Global Refinish |
| Hadi H. Awada | 42 | Senior Vice President, Global Transportation Coatings |
| Shelley J. Bausch | 55 | Senior Vice President, Global Industrial Coatings |

*As of February 18, 2021

***Robert W. Bryant***

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

***Sean M. Lannon***

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

***Brian A. Berube***

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

***Troy D. Weaver***

Mr. Weaver has served as our Senior Vice President, Global Refinish since October 2020. Prior to that, Mr. Weaver served as our Vice President, Global Refinish from August 2019 until October 2020 and, as our Vice President, North America Refinish from January 2017 until August 2019 where he was responsible for Axalta's high performing Refinish Business in the USA & Canada. Mr. Weaver also led Axalta's initiative to secure and grow market share with multiple location collision shop operators, mega-dealers, and nationally recognized collision shop networks. Mr. Weaver began his career at DuPont Performance Coatings in 1992. He has held various Sales and Marketing leadership roles. He is also a two-time recipient of DuPont's Prestigious Marketing Excellence Award, first in 2007 and again in 2010. Mr. Weaver is active in the industry and has served as Chairman of the Board of CIECA (Collision Industry Electronic Commerce Association).

***Hadi H. Awada***

Mr. Awada has served as our Senior Vice President, Global Transportation Coatings since October 2020. Previously, Mr. Awada was President, Faurecia Clean Mobility – North America, where he also served as a member of Faurecia’s North American Board of Management and President, Faurecia Clean Mobility – Asia Pacific, serving on multiple boards with joint venture partners. In those roles, Mr. Awada ran a multibillion-dollar business and led efforts to develop and deploy an operational turnaround and transform the product line to focus on new technologies for customers seeking sustainability and innovation. Previously at Faurecia, he worked in Europe where he led sales and programs for many international customers. He also spent four years in Asia as the Vice President for light vehicle customer business units, product line, marketing and communications. Mr. Awada started his career after earning his B.A. from the University of Toledo, serving the Ford Motor Company in various roles within the Ford customer service division.

***Shelley J. Bausch***

Ms. Bausch has served as our Senior Vice President, Global Industrial Coatings since January 2021. Previously, Ms. Bausch led the Asia Pacific region and the Fluid Technologies business unit for the Carlisle Companies Inc., a manufacturer of engineered products used in roofing, architectural metal, aerospace, medical technologies, industrial, transportation, refinish, and agriculture, mining and construction equipment markets. Before Carlisle, she led the Industrial Coatings business for PPG from 2014 to 2017 and, before that, spent 25 years at Dow Corning Corporation in a variety of senior management and commercial roles. Ms. Bausch serves on the board of directors of the Kraton Corporation. She earned a B.S. in Business Administration, summa cum laude, from Alma College and an M.B.A. from the University of Michigan – Flint.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by Item 11 is contained in the Proxy Statement under the captions "Compensation Discussion and Analysis", "Executive Compensation" and "Compensation Committee Report" and is incorporated herein by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS**

The information required by Item 12 is contained in the Proxy Statement under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" and is incorporated herein by reference.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

The information required by Item 13 is contained in the Proxy Statement under the captions "Director Independence" and "Certain Relationships and Related Transactions" and is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by Item 14 is contained in the Proxy Statement under the caption "Proposal No. 2: Appointment of PricewaterhouseCoopers LLP as the Company's Independent Registered Public Accounting Firm and Auditor" and is incorporated herein by reference.

## PART IV

## ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

**(a)(1)** The Company's 2020 Consolidated Financial Statements and Reports of Independent Registered Public Accounting Firm are included in Part II, Item 8 of this Annual Report on Form 10-K.

**(a)(2)** The following Consolidated Financial Statement Schedule for the years ended December 31, 2020, 2019 and 2018 should be read in conjunction with the previously referenced financial statements:

**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS**

Allowance for Doubtful Accounts for the years ended December 31:

| (in millions) | Balance at Beginning of Year | Additions | Deductions [1] | Balance at End of Year |
|---|---|---|---|---|
| 2020 | $ 16.0 | 11.7 | (1.2) | $ 26.5 |
| 2019 | $ 15.4 | 5.5 | (4.9) | $ 16.0 |
| 2018 | $ 15.9 | 2.3 | (2.8) | $ 15.4 |

(1) Deductions include uncollectible accounts written off and foreign currency translation impact.

Deferred tax asset valuation allowances for the years ended December 31:

| (in millions) | Balance at Beginning of Year | Additions [1] | Deductions [1] | Balance at End of Year |
|---|---|---|---|---|
| 2020 | $ 178.3 | 30.0 | (0.2) | $ 208.1 |
| 2019 | $ 159.0 | 44.9 | (25.6) | $ 178.3 |
| 2018 | $ 214.2 | 11.9 | (67.1) | $ 159.0 |

(1) Additions and deductions include charges to foreign currency translation impact.

**(a)(3)** The following exhibits are filed as a part of, or incorporated by reference into, this Form 10-K.

| EXHIBIT NO. | DESCRIPTION OF EXHIBITS |
|---|---|
| 2.1* | Purchase Agreement, dated as of August 30, 2012, by and between E. I. du Pont de Nemours and Company and Flash Bermuda Co. Ltd. (n/k/a Axalta Coating Systems Ltd.) (incorporated by reference to Exhibit 2.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271) originally filed with the SEC on August 20, 2014) |
| 2.2* | Amendment to Purchase Agreement, dated as of January 31, 2013, by and between E. I. du Pont de Nemours and Company and Flash Bermuda Co. Ltd. (n/k/a Axalta Coating Systems Ltd.) (incorporated by reference to Exhibit 2.2 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 3.1* | Amended Memorandum of Association of Axalta Coating Systems Ltd. (incorporated by reference to Exhibit 3.1 of Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), filed with the SEC on October 14, 2014) |
| 3.2* | Amended and Restated Bye-laws of Axalta Coating Systems Ltd. (incorporated by reference to Exhibit 3.1 to the Registrant’s Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on November 11, 2014) |
| 4.1* | Specimen Common Share Certificate (incorporated by reference to Exhibit 4.21 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), filed with the SEC on October 30, 2014) |
| 4.2* | Indenture, dated as of August 16, 2016, by and among Axalta Coating Systems, LLC, as the issuer, the guarantors named therein, Wilmington Trust, National Association, as trustee, Citigroup Global Markets Deutschland AG, as euro notes registrar, and Citibank N.A., London Branch, as euro notes paying agent and euro notes authenticating agent (including form of Dollar Note and form of Euro Note) (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-36733), filed with the SEC on August 17, 2016) |

| | |
|---|---|
| 4.3* | Indenture, dated as of September 27, 2016, by and among Axalta Coating Systems Dutch Holding B B.V., as the issuer, the guarantors named therein, Wilmington Trust, National Association, as trustee, Citigroup Global Markets Deutschland AG, as registrar, and Citibank N.A., London Branch, as paying agent and authenticating agent (including form of Note) (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-36733), originally filed with the SEC on September 27, 2016) |
| 4.5* | Seventh Supplemental Indenture, dated as of October 26, 2018, by and among Axalta Coating Systems Dutch Holding B B.V., as issuer, the new guarantors party thereto and Wilmington Trust, National Association, as trustee, to the Indenture, dated as of September 27, 2016, by and among the Axalta Coating Systems Dutch Holding B B.V., as issuer, the guarantors party thereto, Wilmington Trust National Association, as trustee, Citigroup Global Markets Deutschland AG, as registrar, and Citibank N.A., London Branch, as paying agent and authenticating agent (incorporated by reference to Exhibit 4.2 to the Registrant’s Current Report on Form 8-K (File No. 001-36733), filed with the SEC on November 1, 2018) |
| 4.6* | Description of the Axalta Coating Systems Ltd.'s Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.6 to the Registrant's Annual Report on Form 10-K (File No. 001-36733), filed with the SEC on February 19, 2020) |
| 4.7* | Indenture, dated as of June 15, 2020, by and among Axalta Coating Systems, LLC and Axalta Coating Systems Dutch Holding B.B.V., as issuers, the guarantors named therein and Wilmington Trust, National Association, as trustee (including the form of Note) (incorporated by reference to exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on June 15, 2020) |
| 4.8* | Indenture, dated as of November 24, 2020, by and among Axalta Coating Systems, LLC, as issuer, the guarantors named therein and Wilmington Trust, National Association, as trustee (including the form of Note) (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-36733), filed with the SEC on November 24, 2020) |
| 10.1* | Credit Agreement, dated as of February 1, 2013, among Flash Dutch 2 B.V. (n/k/a Axalta Coating Systems Dutch Holding B B.V.) and U.S. Coatings Acquisition Inc. (n/k/a Axalta Coating Systems U.S. Holdings, Inc.), as borrowers, Flash Dutch 1 B.V. (n/k/a Axalta Coating Systems Dutch Holding A B.V.), Coatings Co. U.S. Inc. (n/k/a Axalta Coating Systems U.S., Inc.), Barclays Bank PLC, as administrative agent, collateral agent, swing line lender and L/C issuer, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.2* | Amendment No. 1 Agreement to the Credit Agreement, dated as of May 24, 2013, among Flash Dutch 2 B.V. (n/k/a Axalta Coating Systems Dutch Holding B B.V.), as Dutch borrower, Axalta Coating Systems U.S. Holdings, Inc., as U.S. borrower, and Barclays Bank PLC, as administrative agent (incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.3* | Second Amendment to Credit Agreement, dated as of February 3, 2014, by and among Axalta Coating Systems Dutch Holding B B.V. and Axalta Coating Systems U.S. Holdings, Inc., as borrowers, Axalta Coating Systems U.S., Inc. (f/k/a Coatings Co. U.S. Inc.), Axalta Coating Systems Dutch Holding A B.V., and Barclays Bank PLC, as administrative agent, collateral agent and designated 2014 Specified Refinancing Term Lender (incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.4* | Amendment No. 3 to the Credit Agreement, dated as of August 1, 2016, among Axalta Coating Systems Dutch Holding B B.V. and Axalta Coating Systems U.S. Holdings, Inc., as borrowers, Axalta Coating Systems U.S., Inc., Axalta Coating Systems Dutch Holding A B.V., the several banks and other financial institutions or entities from time to time parties thereto as lenders, Barclays Bank PLC, as administrative agent and collateral agent, and the other agents and arrangers party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36733), filed with the SEC on August 2, 2016) |
| 10.5* | Amendment No. 4 to the Credit Agreement, dated as of December 15, 2016, among Axalta Coating Systems Dutch Holding B B.V. and Axalta Coating Systems U.S. Holdings, Inc., as borrowers, Axalta Coating Systems U.S., Inc., Axalta Coating Systems Dutch Holding A B.V., the several banks and other financial institutions or entities from time to time parties thereto as lenders, Barclays Bank PLC, as administrative agent and collateral agent, and the other agents and arrangers party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36733), filed with the SEC on December 15, 2016) |
| 10.6* | Amendment No. 5 to the Credit Agreement, dated as of June 1, 2017, among Axalta Coating Systems Dutch Holding B B.V. and Axalta Coating Systems U.S. Holdings, Inc., as borrowers, Axalta Coating Systems U.S., Inc., Axalta Coating Systems Dutch Holding A B.V., the several banks and other financial institutions or entities from time to time parties thereto as lenders, Barclays Bank PLC, as administrative agent and collateral agent, and the other agents and arrangers party thereto (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K (File No. 001-36733), filed with the SEC on June 1, 2017) |

| | |
|---|---|
| 10.7* | Amendment No. 6 to the Credit Agreement, dated as of April 11, 2018, among Axalta Coating Systems Dutch Holding B B.V. and Axalta Coating Systems U.S. Holdings, Inc., as borrowers, Axalta Coating Systems U.S., Inc., Axalta Coating Systems Dutch Holding A B.V., the several banks and other financial institutions or entities from time to time parties thereto as lenders, Barclays Bank PLC, as administrative agent and collateral agent, and the other agents and arrangers party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36733), filed with the SEC on April 11, 2018) |
| 10.8* | Amendment No. 7 to the Credit Agreement, dated as of October 31, 2018, among Axalta Coating Systems Dutch Holding B B.V. and Axalta Coating Systems U.S. Holdings, Inc., as borrowers, Axalta Coating Systems U.S., Inc., Axalta Coating Systems Dutch Holding A B.V., the several banks and other financial institutions or entities from time to time parties thereto as lenders, Barclays Bank PLC, as administrative agent and collateral agent, and the other agents and arrangers party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36733), filed with the SEC on November 1, 2018) |
| 10.9* | Security Agreement, dated February 1, 2013, among the grantors referred to therein and Barclays Bank PLC, as collateral agent (incorporated by reference to Exhibit 10.4 to the Registrant’s Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.10* | Intellectual Property Security Agreement, dated February 1, 2013, between U.S. Coatings IP Co. LLC (n/k/a Axalta Coating Systems USA IP Co. LLC) and Barclays Bank PLC, as collateral agent (incorporated by reference to Exhibit 10.6 to the Registrant’s Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.11* | Subsidiary Guaranty, dated as of February 1, 2013, among the guarantors named therein, the additional guarantors referred to therein and Barclays Bank PLC, as administrative agent (incorporated by reference to Exhibit 10.8 to the Registrant’s Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.12* | Holdings Guaranty, dated as of February 1, 2013, between Flash Dutch 1 B.V. (n/k/a Axalta Coating Systems Dutch Holding A B.V.) and Barclays Bank PLC, as administrative agent (incorporated by reference to Exhibit 10.9 to the Registrant’s Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.13* | First Lien Intercreditor Agreement, dated as of February 1, 2013, among Barclays Bank PLC as bank collateral agent under the Credit Agreement, and as notes foreign collateral agent under the Indenture, Wilmington Trust, National Association, as notes collateral agent under the Indenture, each Grantor party thereto and each Additional Agent from time to time party thereto (incorporated by reference to Exhibit 10.10 to the Registrant’s Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.14* | Share Pledge Agreement in respect of shares in DuPont Performance Coatings Belgium BVBA (n/k/a Axalta Coating Systems Belgium BVBA), dated 1 February 2013, between Coatings Co (UK) Limited (n/k/a Axalta Coating Systems UK Holding Limited), Teodur B.V. and Barclays Bank PLC, as collateral agent (incorporated by reference to Exhibit 10.11 to the Registrant’s Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.15* | Bank Accounts Pledge Agreement, entered into September 17, 2013, among Axalta Coating Systems Brasil Ltda., Wilmington Trust, National Association, as Notes Collateral Agent, and Barclays Bank PLC, as collateral agent (incorporated by reference to Exhibit 10.13 to the Registrant’s Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.16* | Quota Pledge Agreement, entered into September 17, 2013, among Brazil Coatings Co. Participações Ltda., Axalta Coating Systems Dutch Holding 2 B.V., Barclays Bank PLC, as collateral agent, and Wilmington Trust, National Association, as notes collateral agent (incorporated by reference to Exhibit 10.14 to the Registrant’s Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.17* | Security Agreement, dated as of May 10, 2013, between Axalta Coating Systems Canada Company (f/k/a DuPont Performance Coatings Canada Company), Flash Lux Co S.à r.l. (n/k/a Axalta Coating Systems Luxembourg Holding S.à r.l.), the additional grantors from time to time party thereto, and Barclays Bank PLC, as collateral agent for the secured parties (incorporated by reference to Exhibit 10.15 to the Registrant’s Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |

| | |
|---|---|
| 10.18* | Securities Account Pledge Agreement in relation to the shares issued by France Coatings Co. (n/k/a Axalta Coating Systems France Holding SAS), dated 26 April 2013, between Flash Lux Co S.à r.l. (n/k/a Axalta Coating Systems Luxembourg Holding S.à r.l.), Barclays Bank PLC, as notes foreign collateral agent, and France Coatings Co. (n/k/a Axalta Coating Systems France Holding SAS) (incorporated by reference to Exhibit 10.17 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.19* | Pledge of Receivables Agreement, dated 26 April 2013, between Lux FinCo Coatings S.à r.l. (n/k/a Axalta Coating Systems Finance 1 S.à r.l.) and Barclays Bank PLC, as notes foreign collateral agent (incorporated by reference to Exhibit 10.18 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.20* | Securities Account Pledge Agreement in relation to the shares issued by DuPont Performance Coatings France SAS (n/k/a Axalta Coating Systems France SAS), dated 26 April 2013, between France Coatings Co. (n/k/a Axalta Coating Systems France Holding SAS), Barclays Bank PLC, as notes foreign collateral agent, and DuPont Performance Coatings France SAS (n/k/a Axalta Coating Systems France SAS) (incorporated by reference to Exhibit 10.19 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.21* | Account Pledge Agreement, made on 29 July 2013, between Axalta Coating Systems Verwaltungs GmbH (f/k/a Flash German Co. GmbH), Axalta Coating Systems Deutschland Holding GmbH & Co. KG (f/k/a Germany Coatings GmbH & Co. KG), Axalta Coating Systems Beteiligungs GmbH (f/k/a Germany Coatings Co GmbH), Standox GmbH, Spies Hecker GmbH, Axalta Coating Systems Germany GmbH (f/k/a DuPont Performance Coatings GmbH), Barclays Bank PLC, as collateral agent under the Credit Agreement, and Wilmington Trust, National Association, as notes collateral agent under the EUR Notes Indenture (incorporated by reference to Exhibit 10.20 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.22* | Global Assignment Agreement, made on 29 July 2013, between Axalta Coating Systems Deutschland Holding GmbH & Co. KG (f/k/a Germany Coatings GmbH & Co. KG) and Barclays Bank PLC, as collateral agent and collateral sub-agent (incorporated by reference to Exhibit 10.21 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.23* | Global Assignment Agreement, made on 29 July 2013, between Axalta Coating Systems Germany GmbH (f/k/a DuPont Performance Coatings GmbH) and Barclays Bank PLC, as collateral agent and collateral sub-agent (incorporated by reference to Exhibit 10.23 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.24* | Global Assignment Agreement, made on 29 July 2013, between Spies Hecker GmbH and Barclays Bank PLC, as collateral agent and collateral sub-agent (incorporated by reference to Exhibit 10.24 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.25* | Global Assignment Agreement, made on 29 July 2013, between Standox GmbH and Barclays Bank PLC, as collateral agent and collateral sub-agent (incorporated by reference to Exhibit 10.25 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.26* | Partnership Interest Pledge Agreement, made on 29 July 2013, between Axalta Coating Systems Luxembourg Holding 2 S.à r.l. (f/k/a Luxembourg Coatings S.à r.l.), Axalta Coating Systems Verwaltungs GmbH (f/k/a Flash German Co. GmbH), Barclays Bank PLC, as collateral agent under the Credit Agreement, and Wilmington Trust, National Association, as notes collateral agent under the EUR Notes Indenture (incorporated by reference to Exhibit 10.26 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.27* | Security Purpose Agreement, made on 29 July 2013, between Axalta Coating Systems Germany GmbH (f/k/a DuPont Performance Coatings GmbH) and Barclays Bank PLC, as collateral agent and collateral sub-agent (incorporated by reference to Exhibit 10.28 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.28* | Security Transfer Agreement, made on 29 July 2013, between Axalta Coating Systems Germany GmbH (f/k/a DuPont Performance Coatings GmbH) and Barclays Bank PLC, as collateral agent and collateral sub-agent (incorporated by reference to Exhibit 10.29 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.29* | Global Assignment Agreement, made on 1 July 2014, between Axalta Coating Systems Logistik Germany GmbH & Co. KG and Barclays Bank PLC, as collateral agent and collateral sub-agent (incorporated by reference to Exhibit 10.30 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |

| | |
|---|---|
| 10.30* | Partnership Interest Pledge Agreement, made on 1 July 2014, between Axalta Coating Systems Germany GmbH, Axalta Coating Systems Verwaltungs GmbH (f/k/a Flash German Co. GmbH), Barclays Bank PLC, as collateral agent under the Credit Agreement, and Wilmington Trust, National Association as collateral agent under the EUR Note Indenture (incorporated by reference to Exhibit 10.31 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.31* | Account Pledge Agreement, made on 1 July 2014, between Axalta Coating Systems Logistik Germany GmbH & Co. KG, Barclays Bank PLC, as collateral agent under the Credit Agreement, and Wilmington Trust, National Association, as collateral agent under the EUR Notes Indenture (incorporated by reference to Exhibit 10.32 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.32* | Security Transfer Agreement, made on 1 July 2014, between Axalta Coating Systems Logistik Germany GmbH & Co. KG and Barclays Bank PLC, as collateral agent and collateral sub-agent (incorporated by reference to Exhibit 10.33 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.33* | Pledge Agreement without Transfer of Possession, dated September 18, 2013, between Axalta Coating Systems México, S. de R.L. de C.V. (f/k/a/ DuPont Performance Coatings México, S. de R.L. de C.V.) and Barclays Bank PLC, as collateral agent (incorporated by reference to Exhibit 10.34 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.34* | Pledge Agreement without Transfer of Possession, dated September 18, 2013, between Axalta Coating Systems Servicios México, S. de R.L. de C.V. (f/k/a/ DuPont Performance Coatings Servicios México, S. de R.L. de C.V.) and Barclays Bank PLC, as collateral agent (incorporated by reference to Exhibit 10.35 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.35* | Equity Interest Pledge Agreement, dated September 18, 2013, among Axalta Coating Systems LA Holding II B.V. (f/k/a DuPont Performance Coatings LA Holding II B.V.), Axalta Coating Systems México, S. de R.L. de C.V. (f/k/a/ DuPont Performance Coatings México, S. de R.L. de C.V.), Axalta Coating Systems Servicios México, S. de R.L. de C.V. (f/k/a/ DuPont Performance Coatings Servicios México, S. de R.L. de C.V.) and Barclays Bank PLC, as collateral agent (incorporated by reference to Exhibit 10.36 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.36* | Equity Interest Pledge Agreement, dated September 18, 2013, among Axalta Coating Systems LA Holding II B.V. (f/k/a DuPont Performance Coatings LA Holding II B.V.), Axalta Coating Systems Servicios México, S. de R.L. de C.V. (f/k/a/ DuPont Performance Coatings Servicios México, S. de R.L. de C.V.), Axalta Coating Systems México, S. de R.L. de C.V. (f/k/a/ DuPont Performance Coatings México, S. de R.L. de C.V.) and Barclays Bank PLC, as collateral agent (incorporated by reference to Exhibit 10.37 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.37* | Share Pledge Agreement, dated September 18, 2013, between Axalta Powder Coating Systems USA, Inc. (f/k/a DuPont Powder Coatings USA, Inc.), Axalta Powder Coating Systems México, S.A. de C.V. (f/k/a DuPont Powder Coatings de México, S.A. de C.V.) and Barclays Bank PLC, as collateral agent (incorporated by reference to Exhibit 10.38 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.38* | Debenture, dated 1 February 2013, by Coatings Co (UK) Limited (n/k/a Axalta Coating Systems UK Holding Limited), DuPont Performance Coatings (U.K.) Limited (n/k/a Axalta Coating Systems UK Limited) and DuPont Powder Coatings UK Limited (n/k/a Axalta Powder Coating Systems UK Limited), in favor of Barclays Bank PLC, as collateral agent appointed pursuant to the Credit Agreement (incorporated by reference to Exhibit 10.40 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.39* | Security Over Shares Agreement, dated 1 February 2013, between Flash Lux Co S.à r.l. (n/k/a Axalta Coating Systems Luxembourg Holding S.à r.l.) and Barclays Bank PLC, as collateral agent appointed pursuant to the Credit Agreement (incorporated by reference to Exhibit 10.42 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.40* | Debenture, dated 25 March 2014, by Axalta Coating Systems U.K. (2) Limited in favor of Barclays Bank PLC, as collateral agent appointed pursuant to the Credit Agreement (incorporated by reference to Exhibit 10.44 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |

| | |
|---|---|
| 10.41* | Security Over Shares Agreement, dated 25 March 2014, between Axalta Coating Systems Belgium BVBA and Barclays Bank PLC, as collateral agent appointed pursuant to the Credit Agreement (incorporated by reference to Exhibit 10.46 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014) |
| 10.42* | Form of Indemnification Agreement (incorporated by reference to Exhibit 10.48 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), filed with the SEC on October 30, 2014) |
| 10.43* | Axalta Coating Systems Bermuda Co., Ltd. 2013 Equity Incentive Plan (incorporated by reference to Exhibit 10.54 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), filed with the SEC on October 14, 2014) |
| 10.44* | Form of Stock Option Agreement under the Axalta Coating Systems Bermuda Co., Ltd. 2013 Equity Incentive Plan (incorporated by reference to Exhibit 10.55 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), filed with the SEC on October 14, 2014) |
| 10.45* | Axalta Coating Systems Ltd. 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.56 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), filed with the SEC on October 30, 2014) |
| 10.46* | Form of Stock Option Agreement under the Axalta Coating Systems Ltd. 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.57 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), filed with the SEC on October 30, 2014) |
| 10.47* | Form of Restricted Stock Agreement under the Axalta Coating Systems Ltd. 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.58 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), filed with the SEC on October 30, 2014) |
| 10.48* | Form of Restricted Stock Unit Agreement under the Axalta Coating Systems Ltd. 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.59 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), filed with the SEC on October 30, 2014) |
| 10.49* | Form of Stock Option Award Agreement under the Axalta Coating Systems Ltd. 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.61 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on April 28, 2016) |
| 10.50* | Form of Restricted Stock Award Agreement under the Axalta Coating Systems Ltd. 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.62 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on April 28, 2016) |
| 10.51* | Form of Restricted Stock Unit Award Agreement under the Axalta Coating Systems Ltd. 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.63 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on April 28, 2016) |
| 10.52* | Form of Performance Stock Award Agreement under the Axalta Coating Systems Ltd. 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.64 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on April 28, 2016) |
| 10.53* | Form of Performance Share Unit Award Agreement under the Axalta Coating Systems Ltd. 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.65 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on April 28, 2016) |
| 10.54* | Axalta Coating Systems LLC Retirement Savings Restoration Plan (incorporated by reference to Exhibit 10.60 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), filed with the SEC on October 14, 2014) |
| 10.55* | Axalta Coating Systems, LLC Nonqualified Deferred Compensation Plan (incorporated by reference to Exhibit 10.61 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), filed with the SEC on October 14, 2014) |
| 10.56* | Registration Rights Agreement by and among Axalta Coating Systems Ltd. and Government Employees Insurance Company (incorporated by reference to Exhibit 10.63 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on May 6, 2015) |
| 10.59* | Form of Second Amended and Restated Executive Restrictive Covenant and Severance Agreement (incorporated by reference to Exhibit 10.57 to the Registrant's Annual Report on Form 10-K (File No. 001-36733), filed with the SEC on February 22, 2018) |

| | |
|---|---|
| 10.60* | Form of Stock Option Agreement for U.S. Employees (incorporated by reference to Exhibit 10.58 to the Registrant’s Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on April 25, 2018 |
| 10.61* | Form of Restricted Stock Agreement for U.S. Employees (incorporated by reference to Exhibit 10.59 to the Registrant’s Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on April 25, 2018) |
| 10.62* | Form of Restricted Stock Unit Agreement for U.S. Employees (incorporated by reference to Exhibit 10.60 to the Registrant’s Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on April 25, 2018) |
| 10.63* | Form of Performance Stock Agreement for U.S. Employees (incorporated by reference to Exhibit 10.61 to the Registrant’s Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on April 25, 2018) |
| 10.64* | Form of Performance Share Agreement for U.S. Employees (incorporated by reference to Exhibit 10.62 to the Registrant’s Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on April 25, 2018) |
| 10.65* | Form of Stock Option Agreement for non-U.S. Employees (incorporated by reference to Exhibit 10.63 to the Registrant’s Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on April 25, 2018) |
| 10.66* | Form of Restricted Stock Unit Agreement for non-U.S. Employees (incorporated by reference to Exhibit 10.64 to the Registrant’s Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on April 25, 2018) |
| 10.67* | Form of Performance Share Agreement for non-U.S. Employees (incorporated by reference to Exhibit 10.65 to the Registrant’s Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on April 25, 2018) |
| 10.68* | Form of Restricted Stock Unit Agreement for Directors (incorporated by reference to Exhibit 10.66 to the Registrant’s Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on April 25, 2018) |
| 10.69* | Axalta Coating Systems Ltd. Amended and Restated 2014 Incentive Award Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36733), filed with the SEC on May 3, 2018) |
| 10.70* | Form of Indemnification and Advancement Agreement (incorporated by reference to Exhibit 10.67 to the Registrant’s Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on July 26, 2018) |
| 10.75* | Form of Performance Share Unit Agreement for U.S. Employees (incorporated by reference to Exhibit 10.58 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on April 25, 2019) |
| 10.76* | Form of Performance Share Unit Agreement for Non - U.S. Employees (incorporated by reference to Exhibit 10.59 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on April 25, 2019) |
| 10.77* | Amendment No. 8 to the Credit Agreement, dated as of June 28, 2019, among Axalta Coating Systems Dutch Holding B B.V. and Axalta Coating Systems U.S. Holdings, Inc., as Borrowers, Axalta Coating Systems U.S., Inc., Axalta Coating Systems Ltd., the several banks and other financial institutions or entities from time to time parties thereto as Lenders, Barclays Bank PLC, as Administrative Agent and Collateral Agent, and the other agents and arrangers party thereto. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36733), filed with the SEC on June 28, 2019) |
| 10.78* | Form of Retention Award Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36733), filed with the SEC on September 12, 2019) |
| 10.79* | Form of Letter Agreement with Named Executive Officers (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on May 6, 2020) |
| 10.80 | Amendment No. 9 to the Credit Agreement, dated as of November 10, 2020, among Axalta Coating Systems Dutch Holding B B.V. and Axalta Coating Systems U.S. Holdings, Inc., as Borrowers, Axalta Coating Systems U.S., Inc., Axalta Coating Systems Ltd., the several banks and other financial institutions or entities from time to time parties thereto as Lenders, Barclays Bank PLC, as Administrative Agent and Collateral Agent, and the other agents and arrangers party thereto. |
| 10.81* | Separation and Release Agreement with Steve Markevich (incorporated by reference to Exhibit 4.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-36733), filed with the SEC on October 26, 2020) |
| 21.1 | List of Subsidiaries |

| | |
|---|---|
| 23.1 | Consent of PricewaterhouseCoopers LLP |
| 31.1 | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1† | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2† | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101 | INS - 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 - XBRL Taxonomy Extension Schema Document |
| 101 | CAL - XBRL Taxonomy Extension Calculation Linkbase Document |
| 101 | DEF - XBRL Taxonomy Extension Definition Linkbase Document |
| 101 | LAB - XBRL Taxonomy Extension Label Linkbase Document |
| 101 | PRE - XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |
| * | Previously filed. |
| † | In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Form 10-K and will not be deemed "filed" for purposes of section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference. |

**ITEM 16. FORM 10-K SUMMARY**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on February 18, 2021.

AXALTA COATING SYSTEMS LTD.

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

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

| Signature | Title | Date |
|---|---|---|
| /s/ Robert W. Bryant<br>Robert W. Bryant | Chief Executive Officer and President<br>(Principal Executive Officer) | February 18, 2021 |
| /s/ Sean M. Lannon<br>Sean M. Lannon | Senior Vice President and Chief Financial Officer<br>(Principal Financial Officer) | February 18, 2021 |
| /s/ Anthony Massey<br>Anthony Massey | Vice President and Global Controller<br>(Principal Accounting Officer) | February 18, 2021 |
| /s/ Mark Garrett<br>Mark Garrett | Chairman of the Board and Director | February 18, 2021 |
| /s/ Steven M. Chapman<br>Steven M. Chapman | Director | February 18, 2021 |
| /s/ William M. Cook<br>William M. Cook | Director | February 18, 2021 |
| /s/ Deborah J. Kissire<br>Deborah J. Kissire | Director | February 18, 2021 |
| /s/ Elizabeth C. Lempres<br>Elizabeth C. Lempres | Director | February 18, 2021 |
| /s/ Robert M. McLaughlin<br>Robert M. McLaughlin | Director | February 18, 2021 |
| /s/ Rakesh Sachdev<br>Rakesh Sachdev | Director | February 18, 2021 |
| /s/ Samuel L. Smolik<br>Samuel L. Smolik | Director | February 18, 2021 |

NINTH AMENDMENT TO CREDIT AGREEMENT

This NINTH AMENDMENT TO CREDIT AGREEMENT (this "**Ninth Amendment**"), dated as of November 10, 2020, by and among AXALTA COATING SYSTEMS DUTCH HOLDING B B.V. (f/k/a Flash Dutch 2 B.V.), a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) organized and established under the laws of the Netherlands, having its corporate seat in Amsterdam, the Netherlands, registered with the Trade Register of the Netherlands under number 55948308 (the "**Dutch Borrower**"), AXALTA COATING SYSTEMS U.S. HOLDINGS, INC. (f/k/a U.S. Coatings Acquisition Inc.), a Delaware corporation (the "**U.S. Borrower**" and together with the Dutch Borrower, collectively, the "**Borrowers**"), AXALTA COATING SYSTEMS U.S., INC. (f/k/a Coatings Co. U.S. Inc.), a Delaware corporation ("**U.S. Holdings**"), AXALTA COATING SYSTEMS LTD., a Bermuda exempted limited liability company ("**Holdings**"), each other Guarantor listed on the signature pages hereto and BARCLAYS BANK PLC, as administrative agent (in such capacity, the "**Administrative Agent**") and as collateral agent (in such capacity, the "**Collateral Agent**"). Unless otherwise indicated, all capitalized terms used herein but not otherwise defined shall have the respective meanings provided to such terms in the Credit Agreement referred to below (as amended by this Ninth Amendment, the "**Amended Credit Agreement**").

W I T N E S S E T H:

WHEREAS, the Borrowers, U.S. Holdings, Holdings, the Lenders from time to time party thereto (the "**Lenders**"), the Administrative Agent and the Collateral Agent are parties to a Credit Agreement, dated as of February 1, 2013, as amended by that certain Amendment No. 1 to the Credit Agreement, dated as of May 24, 2013, that certain Second Amendment to Credit Agreement, dated as of February 3, 2014, that certain Third Amendment to Credit Agreement, dated as of August 1, 2016, that certain Fourth Amendment to Credit Agreement, dated as of December 15, 2016, that certain Fifth Amendment to Credit Agreement, dated as of June 1, 2017, that certain Sixth Amendment to Credit Agreement, dated as of April 11, 2018, that certain Seventh Amendment to Credit Agreement, dated as of October 31, 2018 and that certain Eighth Amendment to Credit Agreement, dated as of June 28, 2019 (the "**Credit Agreement**");

WHEREAS, the Loan Parties and the Lenders party hereto wish to make certain amendments to the Credit Agreement set forth in Section 1 below pursuant to amendments authorized by Section 10.01 of the Credit Agreement;

WHEREAS, pursuant to that certain engagement letter, dated as of October 28, 2020 between the Borrowers and Barclays Bank PLC, Barclays Bank PLC has agreed to act as the sole lead arranger and bookrunner with respect to this Ninth Amendment;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

SECTION 1 Amendments to Credit Agreement.

(a) Subject to the satisfaction (or waiver) of the conditions set forth in Section 2 hereof, the Credit Agreement is hereby amended as follows:

(i) Section 1.01 of the Credit Agreement is hereby amended by adding the following definitions in appropriate alphabetical order:

"Beneficial Ownership Certification" means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

"Beneficial Ownership Regulation" means 31 C.F.R. § 1010.230.

"Borrower Assignment and Assumption" means an assignment and assumption agreement entered into by the U.S. Borrower, any New Parent Borrower and acknowledged by the Administrative Agent and the Collateral Agent, in substantially the form of Exhibit O hereto, or otherwise in form and substance reasonably satisfactory to the Administrative Agent, and as amended, supplemented or otherwise modified from time to time.

"New Parent Borrower" has the meaning specified in the definition of "Parent Borrower".

"Ninth Amendment" means the Ninth Amendment to the Credit Agreement, dated as of the Ninth Amendment Effective Date, by and among the Borrowers, U.S. Holdings, Successor Holdings, the Administrative Agent, the Collateral Agent and the lenders party thereto.

"Ninth Amendment Effective Date" means November 10, 2020.

"Parent Borrower" means (i) the Dutch Borrower or (ii) after the Ninth Amendment Effective Date, any other Person or Persons ("New Parent Borrower") that is a successor by merger, conversion, legal continuation, continuation to a foreign jurisdiction or otherwise to the Parent Borrower (or the previous New Parent Borrower, as the case may be) ("Previous Parent Borrower"); provided that (a) New Parent Borrower shall expressly assume all the obligations of Previous Parent Borrower under this Agreement and the other Loan Documents pursuant to a Borrower Assignment and Assumption, (b) if reasonably requested by the Administrative Agent, a customary opinion of counsel covering matters reasonably requested by the Administrative Agent shall be delivered on behalf of the New Parent Borrower to the Administrative Agent, (c) substantially all of the assets of Previous Parent Borrower are contributed or otherwise transferred, directly or indirectly, to such New Parent Borrower and pledged to secure the Obligations (unless and to the extent that the Disposition of certain assets of Previous Parent Borrower is otherwise permitted pursuant to the terms of this Agreement), (d) no Event of Default shall occur and be continuing at the time of such substitution and such substitution shall not result in any Event of Default, (e) the Administrative Agent shall have received at least ten (10) Business Days' prior written notice (or such shorter period as the Administrative Agent may agree in its reasonable discretion) of the proposed transaction and, to the extent requested within five (5) Business Days of such written notice, Previous Parent Borrower and New Parent Borrower shall promptly, and in any event at least three (3) Business Days' prior to the consummation of the transaction, provide (x) all information any Lender or any Agent may reasonably request to satisfy its "know your customer" requirements and (y) a Beneficial Ownership Certification in relation to the New Parent Borrower if it qualifies as a "legal entity customer" under the Beneficial Ownership Regulation and, in each case, other similar requirements necessary for such Person to comply with its internal compliance and regulatory requirements with respect to the proposed successor New Parent Borrower, in each case, reasonably satisfactory to such Lender or such Agent, (f) New Parent Borrower shall be an entity organized or existing under the laws of Bermuda, Luxembourg or the Netherlands, (g) in the case of any transaction where, on a pro forma basis, both New Parent Borrower and Previous Parent Borrower continue to exist as separate entities, Previous Parent Borrower shall (i) to the extent Previous Parent Borrower is a Guarantor, continue to be a Guarantor and (ii) to the extent Previous Parent Borrower is not a Guarantor, shall become a Guarantor and comply with all requirements of Section 6.12 (to the extent not already satisfied) on the date on which the New Parent Borrower becomes party to the Credit Agreement, (h) if reasonably requested by the Administrative Agent, (i) the Loan Parties shall execute and deliver amendments, supplements and other modifications to all Loan Documents, instruments and agreements executed in connection therewith and any new agreements or instruments and take such other actions necessary to create, maintain, perfect and protect the liens and security interests in the Equity Interests issued by New Parent Borrower and the assets of New Parent Borrower, in each case in form and substance substantially consistent with the instruments and agreements previously delivered in respect thereof or reasonably satisfactory to the Administrative Agent; provided that, if the Loan Parties shall have used commercially reasonable efforts to cause this clause (h) to be satisfied concurrently with such substitution but the requirements cannot be satisfied after such use of commercially reasonable efforts (as certified in the certificate described in clause (ii) below), such requirements of clause (h) shall instead be required to be satisfied as promptly as possible, and in any event within 5 days of such substitution (or such later date as the Administrative Agent may agree in its sole discretion) and shall not constitute a condition to the effectiveness of New Parent Borrower's substitution for Previous Parent Borrower and (ii) the Borrower Representative shall deliver a certificate of a Responsible Officer with respect to the satisfaction of the conditions set forth in clauses (a), (c), (d), (f) and (i)(y) of this definition, (i)(x) each Guarantor shall have confirmed its guarantee of the Obligations (including the Obligations of New Parent Borrower) pursuant to an agreement in form and substance reasonably satisfactory to the Administrative Agent and (y) such guarantees shall continue in full force and effect after giving effect to such substitution and (j) such documents and certifications (including Organization Documents and, if applicable, good standing certificates and registers) as the Administrative Agent may reasonably require and other documentation necessary, advisable or customary under applicable law as the Administrative Agent may reasonably request; provided that, if each of the foregoing is satisfied, (x) in the case of any transaction where, on a pro forma basis, both New Parent Borrower and Previous Parent Borrower continue to exist as separate entities, Previous Parent Borrower shall be automatically released of all its obligations as "Parent Borrower" under the Loan Documents but shall have the obligations of a Guarantor and (y) any reference to "Parent Borrower" in the Loan Documents shall refer to New Parent Borrower.

"Previous Parent Borrower" has the meaning specified in the definition of "Parent Borrower".

(ii) Section 1.01 of the Credit Agreement is hereby amended by deleting "1.16" from the definition of "Borrower Representative" and inserting "1.15" in its place.

(iii) Section 1.01 of the Credit Agreement is hereby amended by adding the following immediately before the period at the end of the definition of "Excluded Subsidiary":

"provided further, that no Subsidiary of Holdings that was or was required to be a Guarantor immediately prior to a transaction contemplated by Section 7.04(a) shall cease to be a Guarantor or become an Excluded Subsidiary as a result of consummation of such transaction".

(iv) Section 1.14 of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

"Section 1.14 Guaranty and Security Principles. The Collateral Documents and each other guaranty and security document delivered or to be delivered under this Agreement and any obligation to enter into such document or obligation by any Foreign Subsidiary shall be subject in all respects to the Guaranty and Security Principles set forth in Schedule 1.12; provided that, the limitations and exclusions set forth therein shall not apply to the extent agreed by the Administrative Agent and the Borrower in connection with any amendments to this Agreement or other transactions entered into pursuant to this Agreement; provided further, that no Subsidiary shall be required to deliver any security documents governed by the laws of France, Brazil, Mexico or Sweden unless reasonably requested by the Administrative Agent if Holdings or any other entity that (x) directly or indirectly, owns 100% of the Equity Interests of the Dutch Borrower or (y) directly owns the Equity Interests of the U.S. Borrower, in each case, is organized in such jurisdiction."

(v) Article I of the Credit Agreement is hereby amended by inserting the following new Section 1.18:

"Section 1.18 Divisions. For all purposes under the Loan Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction's laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its Equity Interests at such time."

(vi) Section 5.21 of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

"Section 5.21 Central Administration; COMI. For so long as the Parent Borrower is incorporated under the laws of the Netherlands, the Parent Borrower has its central administration (*administration centrale*) and, for the purposes of the European Insolvency Regulation, the centre of its main interests (*centre des intérêts principaux*) at the place of its registered office (*siège statutaire*) in the Netherlands and, as of the Closing Date, has no establishment (as defined in the European Insolvency Regulation) outside the Netherlands."

(vii) Section 6.12 of the Credit Agreement is hereby amended by (x) replacing "Brazil, France, Mexico, Sweden and Switzerland" thereof with "Brazil, France, Mexico and Sweden" and (y) adding the following paragraph after the final paragraph thereof:

"For purposes of this Section 6.12, from and after the Ninth Amendment Effective Date, notwithstanding any prior release of, or termination of, security granted in Switzerland, the Loan Parties shall be required to deliver certain share pledge agreements, share charge agreements or other similar security documents granting Liens over Equity Interests governed by Swiss law."

(viii) Section 7.04(a) of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

"(a) any Borrower Party (other than the U.S. Borrower) may merge, amalgamate or consolidate with (i) the U.S. Borrower (including a merger, the purpose of which is to reorganize the U.S. Borrower into a new jurisdiction in any State of the United States or the District of Columbia); provided that the U.S. Borrower shall be the continuing or surviving Person or the surviving Person shall expressly assume the obligations of the U.S. Borrower pursuant to documents reasonably acceptable to the Administrative Agent, (ii) the Parent Borrower; provided that the Parent Borrower or any New Parent Borrower, as described in and subject to the requirements of the definition of "Parent Borrower", shall be the continuing or surviving Person, or (iii) any one or more other Borrower Parties; provided that (x) any Borrower Party that is not a Controlled Foreign Subsidiary or a FSHCO may not merge with any Borrower Party that is a Controlled Foreign Subsidiary or a FSHCO if such Controlled Foreign Subsidiary or such FSHCO shall be the continuing or surviving Person and (y) when any Guarantor is merging with another Borrower Party that is not a Loan Party (A) the Guarantor shall be the continuing or surviving Person, (B) to the extent constituting an Investment, such Investment must be a permitted Investment in or Indebtedness of a Borrower Party which is not a Loan Party in accordance with Sections 7.02 and 7.03, respectively and (C) to the extent constituting a Disposition, such Disposition must be permitted hereunder;"

(ix) The final paragraph of Section 7.04 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Notwithstanding anything to the contrary herein and (1) subject to the provisions set forth in the definition of "Holdings," for the avoidance of doubt, Holdings shall be permitted to (a) merge, consolidate or amalgamate with an Affiliate of Holdings or an entity incorporated or organized solely for the purpose of reincorporating or reorganizing Holdings in the United Kingdom, the Netherlands or Luxembourg, or (b) reorganize or reincorporate itself in the United Kingdom, the Netherlands or Luxembourg, in each case, so long as the principal amount of Indebtedness of Holdings and its Restricted Subsidiaries is not increased thereby (unless such increase is permitted by this Agreement) and (2) subject to the provisions set forth in the definition of "Parent Borrower," for the avoidance of doubt, any merger, conversion, legal continuation, continuation to a foreign jurisdiction or otherwise by Previous Parent Borrower with or into New Parent Borrower and the assumption of all obligations by New Parent Borrower immediately thereafter shall be permitted under this Agreement. The Administrative Agent and the Collateral Agent are hereby authorized to execute and deliver such documents and take such other actions as may be reasonably requested by the Holdings to give effect to the successions contemplated hereby (and the Administrative Agent and the Collateral Agent are entitled to rely, without independent investigation on any officer's certificate delivered to it by Holdings (including as to its authority hereunder) which certificate shall be delivered by the Loan Parties upon request of the Administrative Agent or the Collateral Agent)."

(b) Subject to the satisfaction (or waiver) of the conditions set forth in Section 2 hereof, the Credit Agreement is hereby amended to insert Exhibit O, which is attached as Exhibit A hereto.

(c) From and after the Ninth Amendment Effective Date, any reference to "Dutch Borrower" in any of the Loan Documents shall be deemed to refer to "Parent Borrower" as defined in Amended Credit Agreement.

SECTION 2 Conditions of Effectiveness of this Ninth Amendment. This Ninth Amendment shall become effective on the date when the following conditions shall have been satisfied (or waived in the sole discretion of the Administrative Agent) (such date, the "**Ninth Amendment Effective Date**"):

(a) the Borrowers, U.S. Holdings, Holdings, the Administrative Agent, the Collateral Agent and each Required Lender shall have signed a counterpart hereof (whether the same or different counterparts) and shall have delivered (including by way of facsimile or other electronic transmission) the same to Cahill Gordon & Reindel LLP, counsel to the Administrative Agent;

(b) the Borrowers shall have paid, by wire transfer of immediately available funds, (i) (x) to each Term Lender that executes this Ninth Amendment, a consent fee in an amount equal to 0.05% of the aggregate principal amount of the Term Loans held by such Term Lender immediately prior to the Ninth Amendment Effective Date and (y) to each Revolving Credit Lender, a consent fee in an amount equal to 0.05% of the aggregate principal amount of Revolving Credit Commitments (whether used or unused) of such Revolving Credit Lender immediately prior to the Ninth Amendment Effective Date, (ii) to the Administrative Agent, all fees payable pursuant to any fee or engagement letter related to this Ninth Amendment between the Borrowers and Administrative Agent and (iii) all expenses due to the Administrative Agent, the Arrangers and the Lenders required to be paid on the Ninth Amendment Effective Date (including expenses required to be paid pursuant to Section 3 below), in each case to the extent invoiced prior to the Ninth Amendment Effective Date;

(c) on the Ninth Amendment Effective Date and after giving effect to this Ninth Amendment, (i) no Default or Event of Default shall have occurred and be continuing and (ii) all representations and warranties of the Borrowers and each other Loan Party contained in Article V of the Credit Agreement or any other Loan Document shall be true and correct in all material respects (and in all respects if any such representation or warranty is already qualified by materiality), except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects (and in all respects if any such representation or warranty is already qualified by materiality) as of such earlier date, and except that the representations and warranties contained in Sections 5.05(a) and 5.05(b) of the Credit Agreement shall be deemed to refer to the most recent financial statements furnished pursuant to Sections 6.01(a) and (b) of the Credit Agreement, respectively;

(d) the Administrative Agent shall have received from the U.S. Borrower, acting in its capacity as Borrower Representative, a certificate executed by a Responsible Officer of the U.S. Borrower, acting in its capacity as Borrower Representative, certifying compliance with the requirements of preceding clause (c);

(e) there shall have been delivered to the Administrative Agent (A) copies of resolutions of the board of directors of the Borrowers, U.S. Holdings and Holdings approving and authorizing the execution, delivery and performance of amendments to the Credit Agreement, certified as of the Ninth Amendment Effective Date by a Responsible Officer as being in full force and effect without modification or amendment and (B) good standing certificates, or the equivalent thereof, for the Borrowers, U.S. Holdings and Holdings from the jurisdiction in which they are organized;

(f) the Administrative Agent shall have received the following documents in relation to the Dutch Borrower:

(i) A copy of the articles of association (*statuten*) and deed of incorporation (*oprichtingsakte*) of the Dutch Borrower, as well as an extract (*uittreksel*) from the Dutch Commercial Register (*Handelsregister*);

(ii) A copy of a resolution of the board of managing directors of the Dutch Borrower, approving the terms of, and the transactions contemplated by, the Loan Documents to which it is a party and resolving that it execute the Loan Documents to which it is a party; and

(iii) A copy of the resolution of the shareholder(s) of the Dutch Borrower.

SECTION 3 Costs and Expenses. Each of the Loan Parties hereby reconfirms its obligations pursuant to Section 10.04 of the Credit Agreement to pay and reimburse the Administrative Agent for all reasonable costs and expenses (including, without limitation, reasonable fees of Cahill Gordon & Reindel LLP) incurred in connection with the negotiation, preparation, execution and delivery of this Ninth Amendment and all other documents and instruments delivered in connection herewith.

SECTION 4 Remedies. This Ninth Amendment shall constitute a Loan Document for all purposes of the Credit Agreement and the other Loan Documents.

SECTION 5 Representations and Warranties. To induce the Administrative Agent and the Lenders party hereto to enter into this Ninth Amendment, each of the Loan Parties party hereto represents and warrants to the Administrative Agent and the Lenders party hereto on and as of the Ninth Amendment Effective Date that, in each case:

(a) this Ninth Amendment has been duly authorized, executed and delivered by it and each of this Ninth Amendment and the Credit Agreement constitute its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as may be limited by (i) applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or similar laws of general applicability relating to or limiting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law and (ii) the need for filings and registrations necessary to create or perfect the Liens on Collateral granted by the Loan Parties in favor of the Collateral Agent; and

(b) no Default or Event of Default exists as of the Ninth Amendment Effective Date, both immediately before and after giving effect to this Ninth Amendment.

SECTION 6 Post-Effectiveness Undertakings. On or prior to the date on which an entity organized under the laws of the Grand Duchy of Luxembourg shall become the "New Parent Borrower" in accordance with the terms of the Credit Agreement, as amended by this Ninth Amendment, and the Dutch Borrower shall be the "Previous Parent Borrower," the Loan Parties shall enter into and/or deliver the documents set forth on Schedule I hereto. For the avoidance of doubt, nothing contained herein shall create any obligation or requirement for Dutch Borrower to become a Previous Parent Borrower.

SECTION 7 Reference to and Effect on the Credit Agreement and the Loan Documents.

(a) On and after the Ninth Amendment Effective Date, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Amended Credit Agreement.

(b) The Amended Credit Agreement is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed. Each of the Collateral Documents and all other Loan Documents shall continue in full force and effect and are hereby in all respects ratified and confirmed and all of the Liens and security interests created and arising under each such Loan Document are hereby expressly confirmed and remain in full force and effect on a continuous basis, and the perfected status and priority to the extent provided for in Section 5.18 of the Credit Agreement of each such Lien and security interest continues in full force and effect on a continuous basis, unimpaired, uninterrupted and undischarged, as collateral security for its obligations, liabilities and indebtedness under the Credit Agreement and under its guarantees in the Loan Documents and such other liabilities and obligations expressed or purported to be secured pursuant to such Loan Document to the extent provided in such Loan Documents. Without limiting the generality of the foregoing, the Collateral Documents and all of the Collateral described therein do and shall continue to secure the payment of the Obligations, and such other obligations and liabilities expressed or purported to be secured pursuant to such Collateral Documents. Holdings, U.S. Holdings and the Borrowers hereby agree and/or confirm for the benefit of the Secured Parties, with respect to each Loan Document to which it is a party, after giving effect to this Ninth Amendment, (i) all of its obligations, liabilities and indebtedness under each such Loan Document, including guarantee and indemnity obligations and any new obligations, liabilities and indebtedness arising as a result of the Ninth Amendment, shall remain in full force and effect on a continuous basis and (ii) all of the guarantee obligations, subject to any limitations set forth in the Guaranty, and all of its indemnity obligations contained in each Loan Document extend to any new obligations assumed by it under the Loan Documents as a result of this Ninth Amendment.

(c) The execution, delivery and effectiveness of this Ninth Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents. This Ninth Amendment shall not constitute a novation of the Credit Agreement or the other Loan Documents.

SECTION 8 Governing Law; Jurisdiction; Etc. THIS NINTH AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF

NEW YORK WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF, BUT INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW. IN ADDITION, THE PROVISIONS OF SECTIONS 10.15(b) and (c) AND SECTIONS 10.16 AND 10.17 OF THE CREDIT AGREEMENT SHALL BE DEEMED TO BE INCORPORATED HEREIN BY REFERENCE, MUTATIS MUTANDIS.

SECTION 9 Counterparts. This Ninth Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which counterparts when executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with the U.S. Borrower and the Administrative Agent.

SECTION 10 Electronic Execution. The words "execution," "signed," "signature," and words of like import in this Ninth Amendment or in any amendment or other modification hereof (including waivers and consents) shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

SECTION 11 Acknowledgment and Consent to Bail-In.

(a) Each party hereto acknowledges that any liability of any Affected Financial Institution arising under this Ninth Amendment, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

***(i) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected Financial Institution; and***

***(ii) the effects of any Bail-In Action on any such liability, including, if applicable:***

(A) a reduction in full or in part or cancellation of any such liability;

(B) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Ninth Amendment; or

(C) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of the applicable Resolution Authority.

(b) For the purposes of this Section 11:

"Affected Financial Institution" means (a) any EEA Financial Institution or (b) any UK Financial Institution.

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution;

“Bail-In Legislation” means (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, regulation, rule or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings);

“EEA Financial Institution” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent;

“EEA Member Country” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway;

“EEA Resolution Authority” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution;

“EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time;

“Resolution Authority” means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority;

“UK Financial Institution” means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms;

“UK Resolution Authority” means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution; and

“Write-Down and Conversion Powers” means, (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member

Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

SECTION 12 Acknowledgment and Consent Regarding Any Supported QFCs. To the extent that the Loan Documents provide support, through a guarantee or otherwise, of Hedging Obligations or any other agreement or instrument that is a QFC (such support, "QFC Credit Support" and each such QFC, a "Supported QFC"), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "U.S. Special Resolution Regimes") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

(a) In the event a Covered Entity that is party to a Supported QFC (each, a "Covered Party") becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

(b) As used in this Section 12, the following terms have the following meanings:

"BHC Act Affiliate" of a party means an "affiliate" (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

"Covered Entity" means any of the following:

(i) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);

(ii) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or

(iii) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

"Default Right" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

"Covered Party" has the meaning given to such term in this Section 12(a).

"QFC" has the meaning assigned to the term "qualified financial contract" in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

"QFC Credit Support" has the meaning given to such term in this Section 12.

"Supported QFC" has the meaning given to such term in this Section 12.

"U.S. Special Resolutions Regimes" has the meaning given to such term in this Section 12.

SECTION 13 Certain ERISA Matters.

(a) Each Lender party hereto (x) represents and warrants, as of the date such Person became a Lender party to the Credit Agreement, and (y) covenants, from the date such Person became a Lender party to the Credit Agreement to the date such Person ceases being a Lender party to the Credit Agreement, for the benefit of, the Administrative Agent and not, for the avoidance of doubt, to or for the benefit of the Borrowers, that at least one of the following is and will be true:

(i) such Lender is not using "plan assets" (within the meaning of Section 3(42) of ERISA or otherwise) of one or more Benefit Plans with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Commitments or this Agreement,

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement,

(iii) (A) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-

14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement, or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless either (1) sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or (2) a Lender has provided another representation, warranty and covenant in accordance with sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party to the Credit Agreement, and (y) covenants, from the date such Person became a Lender party to the Credit Agreement to the date such Person ceases being a Lender party to the Credit Agreement, for the benefit of, the Administrative Agent and not, for the avoidance of doubt, to or for the benefit of the Borrowers, that the Administrative Agent is not a fiduciary with respect to the assets of such Lender involved in such Lender's entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement (including in connection with the reservation or exercise of any rights by the Administrative Agent under the Credit Agreement, any Loan Document or any documents related thereto).

(c) For the purposes of this Section 13:

"Benefit Plan" means any of (a) an "employee benefit plan" (as defined in ERISA) that is subject to Title I of ERISA, (b) a "plan" as defined in and subject to Section 4975 of the Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such "employee benefit plan" or "plan".

"PTE" means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

[*The remainder of this page is intentionally left blank.*]

IN WITNESS WHEREOF, the parties hereto have caused this Ninth Amendment to be duly executed as of the date first above written.

AXALTA COATING SYSTEMS DUTCH HOLDING B B.V., as Dutch Borrower

By: ____________________________
Name:
Title:

By: ____________________________
Name:
Title:

AXALTA COATING SYSTEMS U.S., INC., as
U.S. Holdings

By: ____________________________
Name:
Title:

AXALTA COATING SYSTEMS U.S. HOLDINGS, INC., as U.S. Borrower

By: ____________________________
Name:
Title:

AXALTA COATING SYSTEMS LTD., as Holdings

By: ____________________________
Name:
Title:

BARCLAYS BANK PLC, as Administrative Agent, Collateral Agent, L/C Issuer, Swing Line Lender, and a Lender

By: ____________________________
Name:
Title:

[ ], as a Lender

By: ______________________________
Name:
Title:

If a second signature is necessary:

By: ______________________________
Name:
Title:

## Schedule I

**Post-Effective Undertakings**

The Netherlands

1. Enter into and cause to be entered into a Dutch law omnibus pledge agreement, by and among Axalta Coating Systems Luxembourg Top S.à r.l. ("Lux TopCo") and Axalta Coating Systems Luxembourg Holding S.à r.l. ("LuxCo Sarl") as pledgors in favor of the Collateral Agent ("Omnibus Pledge"), which shall be registered with the Dutch Tax authorities and the Loan Parties shall provide or cause to be provided to the Collateral Agent evidence of such registration.

2. Notification of debtors in accordance with the Omnibus Pledge.

Luxembourg

3. Enter into and cause to be entered into a Luxembourg law amendment agreement (the "First LuxCo Sarl Share Pledge Amendment") to the Luxembourg law share pledge agreement, originally dated as of February 1, 2013, over shares in LuxCo Sarl between Axalta Coating Systems Dutch Holding B B.V. as retiring Pledgor, Axalta Coating Systems Dutch Holding A B.V. as new Pledgor, the Collateral Agent and LuxCo Sarl as the company whose shares are being pledged.

4. Enter into and cause to be entered into a Luxembourg law amendment agreement (the "Second LuxCo Sarl Share Pledge Amendment") to the First LuxCo Sarl Share Pledge Amendment, between Axalta Coating Systems Dutch Holding A B.V. as retiring Pledgor, Lux TopCo as new Pledgor, the Collateral Agent and LuxCo Sarl as the company whose shares are being pledged.

5. Enter into and cause to be entered into a Luxembourg law release agreement to the Luxembourg law share pledge agreement dated December 19, 2018 between Axalta Coating Systems Ltd., as pledgor, Barclays Bank PLC, as collateral agent and Axalta Coating Systems Luxembourg Top S.à r.l., as company.

6. Enter into and cause to be entered into a Luxembourg law amendment agreement to the Second LuxCo Sarl Share Pledge Amendment between Lux TopCo, as retiring Pledgor, Axalta Coating Systems Bermuda Finance 1 Ltd. S.à r.l. as new Pledgor, the Collateral Agent and LuxCo Sarl as the company whose shares are being pledged.

7. Enter into and cause to be entered into a Luxembourg law receivables pledge agreement between Axalta Coating Systems Bermuda Finance 1 Ltd., the Collateral Agent and LuxCo Sarl as debtor.

8. Deliver to the Collateral Agent such resolutions, documents and certifications (including Organization Documents and, if applicable, good standing certificates and excerpt and non-bankruptcy certificates of the Luxembourg trade and companies register) as the Collateral Agent may reasonably require.

9. Deliver to the Collateral Agent, copies of updated share registers, certificates representing Equity Interests and promissory notes, together with instruments of transfer, filing and registrations and take other perfection actions, in each case, as the Collateral Agent may reasonably require.

10. Deliver to the Collateral Agent of written opinions addressed to the Administrative Agent, the Collateral Agent and the lenders, in form and substance reasonably satisfactory to the Collateral Agent, of counsel to the Loan Parties.

*Requirements based on anticipated ownership after giving effect to substitution, subject to final structure.

EXHIBIT A

EXHIBIT O

[FORM OF] BORROWER ASSIGNMENT AND ASSUMPTION AGREEMENT

BORROWER ASSIGNMENT AND ASSUMPTION AGREEMENT, dated as of [Date] (this "Agreement"), made by and among Axalta Coating Systems U.S. Holdings, Inc. (f/k/a U.S. Coatings Acquisition Inc.), a Delaware corporation, [Entity Name], a [Entity Type] (the "New Parent Borrower"), and acknowledged by Barclays Bank PLC, as administrative agent (in such capacity, the "Administrative Agent") for the banks and other financial institutions (the "Lenders") from time to time party to the Credit Agreement (as hereinafter defined) and collateral agent (in such capacity, the "Collateral Agent").

W I T N E S S E T H:

WHEREAS, AXALTA COATING SYSTEMS LTD., a Bermuda exempted limited liability company ("Holdings"), certain Subsidiaries of Holdings party thereto from time to time as Guarantors or Borrowers, the Lenders, the Administrative Agent, the Collateral Agent and the other parties from time to time party thereto entered into that certain Credit Agreement, dated as of February 1, 2013 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), pursuant to which such Lenders agreed to, among other things, provide Term Loans, Revolving Loans and Swing Line Loans to, and to issue Letters of Credit on behalf of, the Borrowers;

WHEREAS, effective as of [Date], [Entity Name], a [Entity Type] (the "Previous Parent Borrower") was [*describe legal steps from Previous Parent Borrower to New Parent Borrower*] [with/into] the New Parent Borrower, with the New Parent Borrower as the surviving entity pursuant to and in compliance with Section 7.04(a) of the Credit Agreement;

WHEREAS, the U.S. Borrower and the New Parent Borrower wish to expressly assume, jointly and severally, the Obligations of the Previous Parent Borrower,

WHEREAS, the New Parent Borrower has delivered, or substantially concurrently with execution of this Agreement shall deliver, a Responsible Officer's Certificate substantially in the form attached hereto as Exhibit A as required by the definition of "New Parent Borrower" in the Credit Agreement; and

WHEREAS, pursuant to Section 7.04(a) of the Credit Agreement, the U.S. Borrower and the New Parent Borrower desire to accept and assume, jointly and severally, all of the obligations of the Previous Parent Borrower under the Credit Agreement and the other Loan Documents.

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Defined Terms. Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

2. Loan Documents. By executing and delivering this Agreement, the U.S. Borrower and the New Parent Borrower hereby assume, jointly and severally, all rights, title, interests, obligations (including, without limitation, the Obligations) and liabilities of the Previous Parent Borrower under the Credit Agreement, any Collateral Document to which Previous Parent Borrower was a party (other than, for the avoidance of doubt, any Collateral Document governed by the laws of the jurisdiction in which Previous Parent Borrower was organized), the Guaranty and each of the other Loan Documents

to which it was party (in furtherance of and in addition to, and not in lieu of, any assumption or deemed assumption by operation of law) from and after the date hereof with the same force and effect as if originally named a "Borrower" under the Credit Agreement, any Collateral Document to which Previous Parent Borrower was a party, the Guaranty and, to the extent the Previous Parent Borrower was party thereto, each other Loan Document. From and after the date hereof, (i) all references to the term "Dutch Borrower", "Parent Borrower" and "Borrower" in the Credit Agreement or any other Loan Document shall be deemed to be a reference to, and shall include, the New Parent Borrower and (ii) all references to the term "Grantor" (or any equivalent term) in any Collateral Document to which Previous Parent Borrower was a party shall be deemed to be a reference to, and shall include, the New Parent Borrower. Without limiting the generality of the foregoing, the New Parent Borrower shall hereby be liable under the Loan Documents for payment of all Obligations and hereby expressly agrees to observe and perform and be bound by all of the terms, covenants, representations, warranties, and agreements contained in the Credit Agreement and each other Loan Document to which Previous Parent Borrower was a party delivered thereunder that were binding upon, and to be observed or performed by, the Previous Parent Borrower or the "Borrower" thereunder. The New Parent Borrower hereby ratifies and confirms the validity of, and all of its obligations and liabilities (including the Obligations) under, the Credit Agreement and such other Loan Documents. This Agreement is a Loan Document and New Parent Borrower hereby confirms and agrees that, except as expressly supplemented hereby, each of the other Loan Documents is in full force and effect.

3. No Novation. This Agreement shall not constitute a novation of the Obligations or any of the Loan Documents.

**4. GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

5. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or other electronic transmission will be effective as delivery of a manually executed counterpart thereof. The words "execution," "signed," "signature," and words of like import in this Agreement shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

6. Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as would be enforceable.

7. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the U.S. Borrower and New Parent Borrower and their respective successors and assigns, and

the Administrative Agent, the Collateral Agent and the Lenders and their respective successors and permitted assigns.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF the undersigned has caused this Agreement to be duly executed and delivered by its proper and duly authorized officer as of the day and year first above written.

AXALTA COATING SYSTEMS U.S. HOLDINGS, INC., as U.S. Borrower

By: ________
Name:
Title:
[ ],
as New Parent Borrower

By: ________

Name:
Title:

[Signature Page to Borrower Assignment and Assumption Agreement]

Acknowledged by:

BARCLAYS BANK PLC,

as Administrative Agent and Collateral Agent

By:__

Name:
Title:

EXHIBIT A to

BORROWER ASSIGNMENT AND ASSUMPTION AGREEMENT

RESPONSIBLE OFFICER'S CERTIFICATE

OF

AXALTA COATING SYSTEMS U.S. HOLDINGS, INC.

[Date]

Reference is made to that certain (i) Credit Agreement, dated as of February 1, 2013, by and among AXALTA COATING SYSTEMS DUTCH HOLDING B B.V. (f/k/a Flash Dutch 2 B.V.), a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) organized and established under the laws of the Netherlands, having its corporate seat in Amsterdam, the Netherlands, registered with the Trade Register of the Netherlands under number 55948308 (the "Parent Borrower"), AXALTA COATING SYSTEMS U.S. HOLDINGS, INC. (f/k/a U.S. Coatings Acquisition Inc.), a Delaware corporation (the "U.S. Borrower" and together with the Dutch Borrower, collectively, the "Borrowers"), AXALTA COATING SYSTEMS U.S., INC. (f/k/a Coatings Co. U.S. Inc.), a Delaware corporation ("U.S. Holdings"), AXALTA COATING SYSTEMS LTD., a Bermuda exempted limited liability company ("Holdings"), each other entity from time to time party thereto and BARCLAYS BANK PLC, as administrative agent (in such capacity, the "Administrative Agent") and as collateral agent (in such capacity, the "Collateral Agent"); and (ii) [*describe any security agreement to which Previous Parent Borrower is a party*]. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Credit Agreement.

[Entity Name], a [Entity Type] shall be referred to herein as the "New Parent Borrower" and [Entity Name], a [Entity Type] shall be referred to herein as the "Previous Parent Borrower".

The undersigned, [Name], the [Title] of the U.S. Borrower, hereby certifies on behalf of the U.S. Borrower in its capacity as Borrower Representative, and not in [his or her] individual capacity, that:

I. The New Parent Borrower [and the Previous Parent Borrower] engaged in the below transactions (collectively, the "Restructuring"):

A. On or around [Date], [*describe each legal step from Previous Parent Borrower to New Parent Borrower*], pursuant to that certain [*describe document evidencing legal steps*] attached hereto as Annex A.

II. The Restructuring is permitted in accordance with Section 7.04(a) of the Credit Agreement and the other Loan Documents.

III. New Parent Borrower has expressly assumed the obligations of Previous Parent Borrower under the Credit Agreement and the other relevant Loan Documents to which Previous Parent Borrower was a party pursuant to that certain Borrower Assignment and Assumption Agreement entered into by New Parent Borrower on or around the date hereof.

IV. Substantially all of the assets of Previous Parent Borrower have been or shall be contributed or otherwise transferred, directly or indirectly, to New Parent Borrower and pledged to secure the Obligations (unless and to the extent that the Disposition of certain assets of Previous Parent Borrower is otherwise permitted pursuant to the terms of this Agreement).

V. No Event of Default shall occur and be continuing at the time of the Restructuring and the Restructuring shall not result in any Event of Default.

VI. New Parent Borrower is an entity organized or existing under the laws of [the United States, any state thereof or the District of Columbia, Bermuda, Luxembourg, the Netherlands, or such other jurisdiction permitted by the Administrative Agent in its reasonable discretion (for the avoidance of doubt, any reasonably identifiable and materially adverse political risk to the Lenders or the Administrative Agent shall be a reasonable basis for not permitting a jurisdiction)].

VII. As a result of the Restructuring, New Parent Borrower has entered, or substantially concurrently with the delivery of this Responsible Officer's Certificate shall enter, into the following Collateral Documents:

A. [ ].

VIII. [As a result of the Restructuring, the Equity Interests in the Previous Parent Borrower [and [*describe any other entity that no longer exists as a result of the Restructuring*]] (collectively, the "Released Collateral") no longer constitute pledged Equity Interests or Collateral under the Credit Documents. The Collateral Agent's return of the Released Collateral is permitted by the Loan Documents and the Credit Documents, specifically Section 9.11 of the Credit Agreement and Section [ ] of the [*describe relevant Collateral Document*].]

*[Signature Page Follows]*

IN WITNESS WHEREOF, the undersigned has hereunto set his name as of the date first set forth above.

AXALTA COATING SYSTEMS U.S. HOLDINGS, INC.

By:_____________

Name:

Title:

[Signature Page to Responsible Officer's Certificate]

**<u>Annex A</u>**

[See attached.]

**Exhibit 21.1**

**Subsidiaries of the Registrant**

| | |
|---|---|
| Axalta Coating Systems France SAS | France |
| Axalta Coating Systems Germany GmbH & Co. KG | Germany |
| Axalta Coating Systems (Changchun) Co. Ltd. | China |
| Axalta Coating Systems Belgium BVBA | Belgium |
| Axalta Coating Systems, LLC | Delaware (USA) |
| Axalta Coating Systems Canada Company | Canada |
| Axalta Coating Systems EMEA Holding B.V. | Netherlands |
| Axalta Coating Systems Asia Holding B.V. | Netherlands |
| Axalta Coating Systems Mexico, S. de R.L. de C.V. | Mexico |
| Axalta Coating Systems Singapore Holding Pte LTD. | Singapore |
| Axalta Coating Systems France Holding SAS | France |
| Axalta Coating Systems Deutschland Holding GmbH & Co. KG | Germany |
| Axalta Coating Systems Finance 2 S.a.r.l. | Luxembourg |
| Axalta Coating Systems Luxembourg Holding 2 S.a.r.l. | Luxembourg |
| Axalta Coating Systems Luxembourg Holding S.a.r.l. | Luxembourg |
| Axalta Coating Systems Dutch Holding B B.V. | Netherlands |
| Axalta Coating Systems Dutch Holding A B.V. | Netherlands |
| Axalta Coating Systems U.S. Holdings, Inc. | Delaware (USA) |
| Axalta Coating Systems U.S. Inc. | Delaware (USA) |
| Axalta Coating Systems Luxembourg Top S.a.r.l. | Luxembourg |
| Axalta China Holding Co.,LTD | China |
| Axalta Coating Systems U.S.A.,LLC | Delaware (USA) |
| Axalta Powder Coating Systems U.K. Ltd. | United Kingdom |
| Axalta Coating Systems U.K. Ltd. | United Kingdom |
| Axalta Coating Systems Italy Srl | Italy |
| Axalta Coating Systems Finance 1 S.a.r.l. | Luxembourg |
| Axalta Coating Systems UK Holding Ltd. | United Kingdom |
| Axalta Coating Systems GmbH | Switzerland |
| Dura Coat Products of Alabama, Inc. | Alabama (USA) |
| Axalta Coating Systems USA Holdings , Inc. | Delaware (USA) |
| Axalta Coating Systems Bermuda Finance1, Ltd | Bermuda |
| Axalta Coating Systems LA Holding II B.V. | Netherlands |

**Exhibit 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-224647) and Form S-3 (No. 333-211556) of Axalta Coating Systems Ltd. of our report dated February 18, 2021 relating to the consolidated financial statements, financial statement schedule, and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 18, 2021

**Exhibit 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Robert W. Bryant, certify that:

1. I have reviewed this annual report on Form 10-K of Axalta Coating Systems Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2021

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

**Exhibit 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Sean M. Lannon, certify that:

1. I have reviewed this annual report on Form 10-K of Axalta Coating Systems Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2021

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

**Exhibit 32.1**

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

I, Robert W. Bryant, Chief Executive Officer of AXALTA COATING SYSTEMS LTD., certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) The Annual Report on Form 10-K of the Company for the annual period ended December 31, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 18, 2021

| | |
|---|---|
| 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.

**Exhibit 32.2**

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

I, Sean M. Lannon, Senior Vice President and Chief Financial Officer of AXALTA COATING SYSTEMS LTD., certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) The Annual Report on Form 10-K of the Company for the annual period ended December 31, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 18, 2021

| | |
|---|---|
| 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.