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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **June 30, 2015**
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.
Commission File Number: **001-36733**

AXALTA COATING SYSTEMS LTD.

(Exact name of registrant as specified in its charter)

Bermuda
(State or other jurisdiction of
incorporation or organization)

2851
(Primary Standard Industrial
Classification Code Number)

98-1073028
(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
(title of class)

New York Stock Exchange
(Exchange on which registered)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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. 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

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 July 31, 2015, there were 236,337,999 shares of the registrant's common shares outstanding.



Table of Contents

| | | |
|-----------------|---|----|
| PART I | Financial Information | |
| ITEM 1. | Financial Statements (Unaudited) | 3 |
| | Condensed Consolidated Statements of Operations | 3 |
| | Condensed Consolidated Statements of Comprehensive Income (Loss) | 4 |
| | Condensed Consolidated Balance Sheets | 5 |
| | Condensed Consolidated Statements of Cash Flows | 6 |
| | Notes to Condensed Consolidated Financial Statements | 7 |
| ITEM 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 28 |
| ITEM 3. | Quantitative and Qualitative Disclosures About Market Risk | 47 |
| ITEM 4. | Controls and Procedures | 47 |
| PART II | Other Information | |
| ITEM 1. | Legal Proceedings | 48 |
| ITEM 1A. | Risk Factors | 48 |
| ITEM 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 48 |
| ITEM 3. | Defaults Upon Senior Securities | 49 |
| ITEM 4. | Mine Safety Disclosures | 49 |
| ITEM 5. | Other Information | 49 |
| ITEM 6. | Exhibits | 49 |
| | Signatures | 50 |
| | Exhibit Index | 51 |

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

AXALTA COATING SYSTEMS LTD.

Condensed Consolidated Statements of Operations (Unaudited)

(In millions, except per share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|------------|---------------------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net sales | \$ 1,094.1 | \$ 1,126.6 | \$ 2,083.3 | \$ 2,174.0 |
| Other revenue | 7.0 | 7.7 | 15.3 | 14.7 |
| Total revenue | 1,101.1 | 1,134.3 | 2,098.6 | 2,188.7 |
| Cost of goods sold | 679.7 | 742.5 | 1,329.5 | 1,446.0 |
| Selling, general and administrative expenses | 245.5 | 250.6 | 458.5 | 497.3 |
| Research and development expenses | 12.8 | 12.1 | 25.7 | 23.4 |
| Amortization of acquired intangibles | 20.1 | 21.3 | 40.1 | 42.4 |
| Income from operations | 143.0 | 107.8 | 244.8 | 179.6 |
| Interest expense, net | 49.2 | 54.9 | 99.2 | 113.9 |
| Other (income) expense, net | 88.6 | (1.6) | 92.5 | 2.9 |
| Income before income taxes | 5.2 | 54.5 | 53.1 | 62.8 |
| Provision (benefit) for income taxes | 29.5 | (1.3) | 30.7 | 10.7 |
| Net income (loss) | (24.3) | 55.8 | 22.4 | 52.1 |
| Less: Net income attributable to noncontrolling interests | 0.8 | 2.0 | 2.4 | 2.6 |
| Net income (loss) attributable to controlling interests | \$ (25.1) | \$ 53.8 | \$ 20.0 | \$ 49.5 |
| Basic net income (loss) per share | \$ (0.11) | \$ 0.23 | \$ 0.09 | \$ 0.22 |
| Diluted net income (loss) per share | \$ (0.11) | \$ 0.23 | \$ 0.08 | \$ 0.22 |
| Basic weighted average shares outstanding | 232.3 | 229.1 | 231.1 | 229.1 |
| Diluted weighted average shares outstanding | 232.3 | 229.3 | 238.1 | 229.1 |

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

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|---------|---------------------------|---------|
| | 2015 | 2014 | 2015 | 2014 |
| Net income (loss) | \$ (24.3) | \$ 55.8 | \$ 22.4 | \$ 52.1 |
| Other comprehensive income (loss), before tax: | | | | |
| Foreign currency translation adjustments | 27.3 | (3.5) | (82.3) | (11.0) |
| Unrealized gain (loss) on securities | (0.1) | 1.0 | 0.4 | 0.8 |
| Unrealized gain (loss) on derivatives | 0.3 | (5.5) | (4.5) | (5.0) |
| Unrealized gain (loss) on pension and other benefit plan obligations | (2.8) | (0.7) | (4.0) | 4.8 |
| Other comprehensive income (loss), before tax | 24.7 | (8.7) | (90.4) | (10.4) |
| Income tax benefit related to items of other comprehensive income | 0.8 | 2.3 | 3.4 | 1.0 |
| Other comprehensive income (loss), net of tax | 25.5 | (6.4) | (87.0) | (9.4) |
| Comprehensive income (loss) | 1.2 | 49.4 | (64.6) | 42.7 |
| Less: Comprehensive income attributable to noncontrolling interests | 1.0 | 2.0 | 2.2 | 1.5 |
| Comprehensive income (loss) attributable to controlling interests | \$ 0.2 | \$ 47.4 | \$ (66.8) | \$ 41.2 |

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

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

| | June 30, 2015 | December 31, 2014 |
|--|---------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 307.8 | \$ 382.1 |
| Restricted cash | 2.8 | 4.7 |
| Accounts and notes receivable, net | 869.5 | 820.4 |
| Inventories | 555.0 | 538.3 |
| Prepaid expenses and other | 78.0 | 62.9 |
| Deferred income taxes | 50.7 | 64.5 |
| Total current assets | 1,863.8 | 1,872.9 |
| Property, plant and equipment, net | 1,425.1 | 1,514.1 |
| Goodwill | 944.0 | 1,001.1 |
| Identifiable intangibles, net | 1,233.2 | 1,300.0 |
| Other assets | 464.7 | 482.6 |
| Total assets | \$ 5,930.8 | \$ 6,170.7 |
| Liabilities, Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 445.5 | \$ 494.5 |
| Current portion of borrowings | 50.7 | 40.1 |
| Deferred income taxes | 6.3 | 7.3 |
| Other accrued liabilities | 334.6 | 404.8 |
| Total current liabilities | 837.1 | 946.7 |
| Long-term borrowings | 3,508.6 | 3,574.2 |
| Accrued pensions and other long-term employee benefits | 272.1 | 306.4 |
| Deferred income taxes | 179.4 | 208.2 |
| Other liabilities | 21.4 | 23.2 |
| Total liabilities | 4,818.6 | 5,058.7 |
| Commitments and contingencies (Note 5) | | |
| Shareholders' equity | | |
| Common shares, \$1.00 par, 1,000.0 shares authorized, 235.6 and 229.8 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively | 234.6 | 229.8 |
| Capital in excess of par | 1,204.5 | 1,144.7 |
| Accumulated deficit | (206.5) | (226.5) |
| Accumulated other comprehensive loss | (190.1) | (103.3) |
| Total Axalta shareholders' equity | 1,042.5 | 1,044.7 |
| Noncontrolling interests | 69.7 | 67.3 |
| Total shareholders' equity | 1,112.2 | 1,112.0 |
| Total liabilities and shareholders' equity | \$ 5,930.8 | \$ 6,170.7 |

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

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

| | Six Months Ended June 30, | |
|--|---------------------------|----------|
| | 2015 | 2014 |
| Operating activities: | | |
| Net income | \$ 22.4 | \$ 52.1 |
| Adjustment to reconcile net income to cash provided by operating activities: | | |
| Depreciation and amortization | 150.1 | 152.9 |
| Amortization of financing costs and original issue discount | 10.2 | 10.3 |
| Debt modification costs | — | 3.1 |
| Deferred income taxes | (7.1) | (14.1) |
| Unrealized loss on derivatives | 1.3 | 3.8 |
| Realized and unrealized foreign exchange (gains)/losses, net | 66.5 | (19.2) |
| Stock-based compensation | 14.2 | 3.8 |
| Asset impairment | 30.6 | — |
| Other non-cash, net | 2.3 | (7.5) |
| Decrease (increase) in operating assets and liabilities: | | |
| Trade accounts and notes receivable | (124.9) | (112.3) |
| Inventories | (41.1) | (24.3) |
| Prepaid expenses and other assets | (46.0) | (41.4) |
| Accounts payable | (16.2) | 59.5 |
| Other accrued liabilities | (42.0) | (47.6) |
| Other liabilities | (15.3) | (5.4) |
| Cash provided by operating activities | 5.0 | 13.7 |
| Investing activities: | | |
| Acquisition of controlling interest in investment affiliate (net of cash acquired) | (3.1) | — |
| Purchase of property, plant and equipment | (56.6) | (100.8) |
| Restricted cash | 1.9 | (1.9) |
| Proceeds from sale of affiliate | 2.3 | — |
| Investment in equity affiliate | (1.6) | — |
| Other investing activities | 0.2 | (0.1) |
| Cash used for investing activities | (56.9) | (102.8) |
| Financing activities: | | |
| Proceeds from short-term borrowings | 3.1 | 16.7 |
| Payments on short-term borrowings | (13.7) | (17.2) |
| Payments on long-term debt | (13.6) | (7.1) |
| Dividends paid to noncontrolling interests | (4.1) | (1.6) |
| Debt modification fees | — | (3.0) |
| Proceeds from option exercises | 45.2 | — |
| Tax windfall due to option exercises | 6.7 | — |
| Other financing activities | (0.2) | — |
| Cash provided by (used for) financing activities | 23.4 | (12.2) |
| Decrease in cash and cash equivalents | (28.5) | (101.3) |
| Effect of exchange rate changes on cash | (45.8) | (7.7) |
| Cash and cash equivalents at beginning of period | 382.1 | 459.3 |
| Cash and cash equivalents at end of period | \$ 307.8 | \$ 350.3 |

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

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

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

The interim condensed consolidated financial statements included herein are unaudited. In the opinion of management, these statements include all adjustments, consisting only of normal, recurring adjustments, necessary for a fair statement of the financial position of Axalta Coating Systems Ltd., a Bermuda exempted company limited by shares, and its consolidated subsidiaries ("Axalta," the "Company," "we," "our" and "us") at June 30, 2015 and December 31, 2014, the results of operations and comprehensive income (loss) for the three and six months ended June 30, 2015 and 2014, and their cash flows for the six months then ended. All intercompany balances and transactions have been eliminated. These interim unaudited condensed consolidated financial statements should be read in conjunction with the consolidated and combined financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

The accompanying financial statements include the interim unaudited condensed consolidated balance sheets of Axalta at June 30, 2015 and December 31, 2014, the related interim unaudited condensed consolidated statements of operations and statements of comprehensive income (loss) for the three and six months ended June 30, 2015 and 2014 and of cash flows for the six months ended June 30, 2015 and 2014. The interim unaudited condensed consolidated financial statements include the accounts of Axalta and its subsidiaries, and entities in which a controlling interest is maintained.

The results of operations for the three and six months ended June 30, 2015 are not necessarily indicative of the results to be expected for a full year.

The acquisition ("Acquisition") by Axalta and certain of its indirect subsidiaries of all the capital stock, other equity interests and assets of certain entities which, together with their subsidiaries, comprised the assets and legal entities, which together with their subsidiaries, comprised the DuPont Performance Coatings business ("DPC"), which was formerly owned by E. I. du Pont de Nemours and Company ("DuPont"), closed on February 1, 2013.

On November 11, 2014, we priced our initial public offering (the "Offering", or the "IPO"), in which certain selling shareholders affiliated with Carlyle sold 57,500,000 common shares at a price of \$19.50 per share. We received no proceeds from the Offering.

On April 8, 2015, we completed a secondary offering (the "Secondary Offering") in which Carlyle sold an aggregate of 40,000,000 common shares at a price of \$28.00 per share. The underwriters also exercised their over-allotment option and purchased an additional 6,000,000 common shares. We did not receive any proceeds from the sale of common shares in the Secondary Offering.

On April 8, 2015, Carlyle also sold 20,000,000 common shares in a private placement to an affiliate of Berkshire Hathaway Inc. for \$28.00 per share. We did not receive any proceeds from the sale of common shares in the private placement.

Certain of our joint ventures are accounted for on a one-month lag basis, the effect of which is not material.

Reclassification and revisions

During 2014, the Company identified errors in the determination of the effective interest rate amortization for the Deferred Financing Costs and Original Issue Discounts that were incurred in 2013. The correction of these items impacted the interim unaudited condensed consolidated statements of operations and statements of comprehensive income (loss) for the three and six months ended June 30, 2014. Refer to Note 15 for further details.

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

(2) RECENT ACCOUNTING GUIDANCE*Recently Adopted Accounting Guidance*

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-03, "Simplifying the Presentation of Debt Issuance Costs", which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. The standard is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, and should be applied on a retrospective basis. Further clarifying this standard, as discussed at the June 18, 2015 Emerging Issues Task Force ("EITF") meeting, the Securities and Exchange Commission ("SEC") stated that the SEC staff would not object to an entity deferring and presenting costs related to revolving debt arrangements as an asset. We elected to early adopt this standard during the current period, resulting in impacts to the balance sheets at June 30, 2015 and December 31, 2014 of decreases to total assets and total liabilities of \$75.0 million and \$82.1 million, respectively.

Accounting Guidance Issued But Not Yet Adopted

In February 2015, the FASB issued ASU 2015-02 (Accounting Standard Codification 810), "Consolidation", which sets forth guidance on accounting for consolidation of certain legal entities. This ASU is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Although early adoption is permitted, we are still in the process of assessing the impact the adoption of this ASU will have on our financial position, results of operations and cash flows.

In May 2014, the FASB issued ASU 2014-09 (Accounting Standard Codification 606), "Revenue from Contracts with Customers", which sets forth the guidance that an entity should use related to revenue recognition. This ASU was originally effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is not permitted. In July 2015 the FASB delayed the effective date of the new revenue accounting standard to fiscal years beginning after December 15, 2017. Companies will be allowed to early adopt the guidance as of the original effective date. We are in the process of assessing the impact the adoption of this ASU will have on our financial position, results of operations and cash flows.

(3) GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS*Goodwill*

The following table shows changes in the carrying amount of goodwill from December 31, 2014 to June 30, 2015 by reportable segment:

| | Performance Coatings | Transportation Coatings | Total |
|------------------------------|-------------------------|----------------------------|------------|
| December 31, 2014 | \$ 933.6 | \$ 67.5 | \$ 1,001.1 |
| Goodwill from acquisition | 12.5 | — | 12.5 |
| Foreign currency translation | (64.8) | (4.8) | (69.6) |
| June 30, 2015 | \$ 881.3 | \$ 62.7 | \$ 944.0 |

In March 2015, we purchased an additional 25% interest in a previously held equity method investment. See Note 9 for additional information.

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

Identifiable Intangible Assets

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

| June 30, 2015 | Gross Carrying Amount | Accumulated Amortization | Net Book Value | Weighted average amortization periods (years) |
|-------------------------------|--------------------------|-----------------------------|-------------------|---|
| Technology | \$ 411.7 | \$ (96.8) | \$ 314.9 | 10.0 |
| Trademarks - indefinite-lived | 284.4 | — | 284.4 | Indefinite |
| Trademarks - definite-lived | 41.9 | (6.8) | 35.1 | 14.8 |
| Customer relationships | 684.1 | (86.2) | 597.9 | 19.4 |
| Non-compete agreements | 1.9 | (1.0) | 0.9 | 4.6 |
| Total | \$ 1,424.0 | \$ (190.8) | \$ 1,233.2 | |

| December 31, 2014 | Gross Carrying Amount | Accumulated Amortization | Net Book Value | Weighted average amortization periods (years) |
|-----------------------------|--------------------------|-----------------------------|-------------------|---|
| Technology | \$ 411.8 | \$ (76.3) | \$ 335.5 | 10.0 |
| Trademarks—indefinite-lived | 284.4 | — | 284.4 | Indefinite |
| Trademarks—definite-lived | 41.8 | (5.5) | 36.3 | 14.8 |
| Customer relationships | 713.9 | (71.3) | 642.6 | 19.4 |
| Non-compete agreements | 2.0 | (0.8) | 1.2 | 4.6 |
| Total | \$ 1,453.9 | \$ (153.9) | \$ 1,300.0 | |

For the three and six months ended June 30, 2015 , amortization expense for acquired intangibles was \$20.1 million and \$40.1 million , respectively. For the three and six months ended June 30, 2014 , amortization expense for acquired intangibles was \$21.3 million and \$42.4 million , respectively.

The estimated amortization expense related to the fair value of acquired intangible assets for the remainder of 2015 and each of the succeeding four years is:

| | |
|-------------------|---------|
| Remainder of 2015 | \$ 40.0 |
| 2016 | \$ 79.9 |
| 2017 | \$ 79.6 |
| 2018 | \$ 79.6 |
| 2019 | \$ 79.6 |

(4) RESTRUCTURING

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

We have incurred costs associated with involuntary termination benefits associated with our corporate-related initiatives, including our transition to a standalone entity and cost-saving opportunities associated with our Fit For Growth and Axalta Way initiatives. During the three and six months ended June 30, 2015 , we incurred restructuring costs of \$14.5 million and \$16.7 million , respectively. During the three and six months ended June 30, 2014 , we incurred restructuring costs of \$1.3 million and \$1.4 million , respectively. These amounts are recorded within selling, general and administrative expenses in the statements of operations. The payments associated with these actions are expected to be completed within 12 to 18 months from the balance sheet date.

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

The following table summarizes the activities related to the restructuring reserves and expenses from December 31, 2014 to June 30, 2015 :

| Restructuring Rollforward | 2015 Activity |
|-------------------------------------|----------------------|
| Balance at December 31, 2014 | \$ 48.5 |
| Expense Recorded | 16.7 |
| Payments Made | (22.5) |
| Foreign Currency Changes | (4.1) |
| Balance at June 30, 2015 | \$ 38.6 |

(5) COMMITMENTS AND CONTINGENCIES

Guarantees

We directly guarantee certain obligations under agreements with third parties. At June 30, 2015 and December 31, 2014, we directly guaranteed \$2.2 million of such obligations. These guarantees represent the maximum potential amount of future (undiscounted) payments that we could be required to make under the guarantees in the event of default by the guaranteed parties. No amounts were accrued at June 30, 2015 and December 31, 2014.

Other

We are subject to various pending lawsuits and other claims including civil, regulatory, and environmental matters. Certain of these lawsuits and other claims may have an impact on us. These litigation matters may involve indemnification obligations by third parties and/or insurance coverage covering all or part of any potential damage awards against DuPont and/or us. All of the above matters are subject to many uncertainties and, accordingly, we cannot determine the ultimate outcome of the lawsuits at this time.

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

In addition to the aforementioned matters, we are party to various legal proceedings in the ordinary course of business. Although the ultimate resolution of these various proceedings cannot be determined at this time, management does not believe that such proceedings, individually or in the aggregate, will have a material adverse effect on the unaudited condensed consolidated financial statements of Axalta.

(6) LONG-TERM EMPLOYEE BENEFITS

Components of Net Periodic Benefit Cost

The following table sets forth the components of net periodic benefit (gain) cost for the three and six months ended June 30, 2015 and 2014 :

| | Pension Benefits | | | |
|---|------------------------------------|---------------|----------------------------------|----------------|
| | Three Months Ended June 30, | | Six Months Ended June 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| Components of net periodic benefit cost: | | | | |
| Net periodic benefit cost: | | | | |
| Service cost | \$ 3.3 | \$ 3.8 | \$ 6.4 | \$ 8.4 |
| Interest cost | 4.6 | 6.0 | 9.2 | 12.0 |
| Expected return on plan assets | (3.6) | (3.7) | (7.3) | (7.4) |
| Amortization of actuarial (gain) loss, net | 0.2 | (0.1) | 0.5 | (0.2) |
| Amortization of prior service credit, net | — | — | (0.1) | — |
| Net periodic benefit cost | \$ 4.5 | \$ 6.0 | \$ 8.7 | \$ 12.8 |

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

| | Other Long-Term Employee Benefits | | | |
|---|-----------------------------------|--------|---------------------------|--------|
| | Three Months Ended June 30, | | Six Months Ended June 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| Components of net periodic benefit (gain) cost: | | | | |
| Net periodic benefit (gain) cost: | | | | |
| Service cost | \$ — | \$ 0.1 | \$ — | \$ 0.1 |
| Interest cost | — | — | — | 0.1 |
| Amortization of prior service credit | (1.0) | — | (1.9) | — |
| Net periodic benefit (gain) cost | \$ (1.0) | \$ 0.1 | \$ (1.9) | \$ 0.2 |

Significant Events

During the six months ended June 30, 2014, we amended one of our Non-U.S. defined benefit pension plans. The amendment effectively eliminated the accrual of future benefits for all participants as of June 30, 2014, resulting in a curtailment gain of \$5.6 million. As the plan had unrealized losses in excess of the reduction of the projected benefit obligation at the date of amendment, the gain was recorded as a reduction of the projected benefit obligation and a corresponding reduction of unrealized losses within accumulated other comprehensive loss.

(7) STOCK-BASED COMPENSATION

During the three and six months ended June 30, 2015, we recognized \$12.4 million and \$14.2 million, respectively, in stock-based compensation expense which was allocated to costs of goods sold, selling, general and administrative expenses and research and development expenses. We recognized a tax benefit of \$3.3 million and \$3.8 million for the three and six months ended June 30, 2015, respectively.

During the three and six months ended June 30, 2014, we recognized \$2.0 million and \$3.8 million, respectively, in stock-based compensation expense which was allocated to cost of goods sold, selling, general and administrative expenses, and research and development expenses. We recognized a tax benefit of \$0.7 million and \$1.3 million for the three and six months ended June 30, 2014, respectively.

Included in the \$12.4 million of stock compensation expense recorded during the three months ended June 30, 2015 was \$8.2 million of stock-based compensation expense attributable to the accelerated vesting of all issued and outstanding stock options issued under the Axalta Coating Systems Bermuda Co., Ltd. 2013 Equity Incentive Plan (the "2013 Plan") as a result of a change in control (the "Change in Control") in April 2015 when Carlyle's interest in Axalta decreased below 50%, which triggered a liquidity event as defined in the 2013 Plan.

Description of Equity Incentive Plans

In 2013, Axalta's Board of Directors approved the 2013 Plan which reserved an aggregate of 19,839,143 common shares 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 (the "2014 Plan") which reserved an aggregate 11,830,000 common shares of the Company for issuance to employees, directors and consultants. The 2014 Plan provides for the issuance of stock options, restricted stock and 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. Since the adoption of the 2014 Plan, no new awards may be made under the 2013 Plan.

The terms of the awards may vary with each grant and are determined by the Compensation Committee within the guidelines of the 2013 and 2014 Plans. Options granted under the 2013 Plan in 2013 and 2014 were assigned a 4.4 to 5 year vesting period; however, vesting was accelerated as a result of the Change in Control. In 2013, we granted approximately 16.3 million non-qualified, service-based stock options to certain employees and directors under the 2013 Plan, with strike prices of \$5.92, \$8.88 and \$11.84 per share. During 2014, we granted approximately 1.6 million non-qualified, service-based stock options to certain employees and directors under the 2013 Plan with strike prices of \$5.92, \$7.21, \$8.88 and \$11.84 per share.

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

In 2015, we granted 1.2 million non-qualified, service-based stock options to certain employees and directors under the 2014 Plan with strike prices between \$25.49 and \$34.80 per share. Options granted vest ratably over three years and have a life of no more than ten years. We also granted 1.0 million shares of restricted stock awards and 0.7 million restricted stock units at fair values between \$25.49 and \$34.80.

Stock Options

The Black-Scholes option pricing model is used to estimate fair values of the options as of the date of the grant. The weighted average fair value of options granted in 2015, 2014 and 2013 was \$8.24, \$1.92 and \$1.38 per share, respectively. Principal weighted average assumptions used in applying the Black-Scholes model were as follows:

| | 2015 Grants | 2014 Grants | 2013 Grants |
|----------------|-------------|-------------|-------------|
| Expected Term | 6.00 years | 7.81 years | 7.81 years |
| Volatility | 22.24% | 28.28% | 28.61% |
| Dividend Yield | — | — | — |
| Discount Rate | 1.79% | 2.21% | 2.13% |

For the 2015 grants, the market value of the stock is the closing price of the stock on the date of grant. The market value of the stock for the 2014 grants was estimated using a contemporaneous valuation consistent with the American Institute of Certified Public Accountants Practice Aid, "Valuation of Privately Held Company Equity Securities Issued as Compensation". For the 2013 grants, the market value of the stock was based upon the Acquisition transaction since our common shares were not publicly traded at the time of grant and there had been no significant changes in operations since the closing date of the transaction.

To estimate the expected stock option term for the \$5.92 per share and \$7.21 per share tranches of stock options referred to above, we used the simplified method as the options were granted at fair value and we, as a privately held company at the grant dates, had no exercise history. Based upon this simplified method, the \$5.92 per share and \$7.21 per share stock options had an expected term of 6.5 years. The strike price for the \$8.88 per share and \$11.84 per share tranches of options exceeded fair value at the grant date which required the use of an estimate of an implicitly longer holding period, resulting in the term of 8.25 years.

The expected term for the 2015 grants was also determined using the simplified method and resulted in an expected term of 6.0 years.

We do not anticipate paying cash dividends in the foreseeable future and, therefore, use an expected dividend yield of zero. Volatility for option grants is based upon our peer group due to the limited trading history of our common shares in public markets. The discount rate was derived from the U.S. Treasury yield curve.

The exercise price and market value per share amounts presented above were as of the date the stock options were granted.

A summary of stock option award activity as of and for the six months ended June 30, 2015, is presented below:

| | Awards/Units (millions) | Weighted- Average Exercise Price | Aggregate Intrinsic Value (millions) | Weighted Average Remaining Contractual Life (years) |
|--|----------------------------|---|---|---|
| Outstanding at January 1, 2015 | 17.1 | \$ 9.38 | | |
| Granted | 1.2 | \$ 31.91 | | |
| Exercised | (5.0) | \$ 9.45 | | |
| Forfeited | — | \$ — | | |
| Outstanding at June 30, 2015 | <u>13.3</u> | <u>\$ 11.34</u> | | |
| Vested and expected to vest at June 30, 2015 | 13.3 | \$ 11.34 | \$ 289.5 | 8.26 |
| Exercisable at June 30, 2015 | 12.1 | \$ 9.35 | \$ 288.1 | 8.11 |

Cash received by the company upon exercise of options in 2015 was \$45.2 million. The expected tax benefits related to these exercises during the three and six months ended June 30, 2015 are \$39.1 million and \$39.8 million, respectively. The Company may settle option exercises by issuing new shares, treasury shares or shares purchased on the open market.

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

Compensation cost is recorded net of forfeitures. The forfeiture rate assumption is the estimated annual rate at which unvested awards are expected to be forfeited during the vesting period. Periodically, management will assess whether it is necessary to adjust the estimated rate to reflect changes in actual forfeitures or changes in expectations. At June 30, 2015, the Company has estimated its annual forfeiture rate at 0% due to its limited history and expectations of forfeitures.

At June 30, 2015, there was \$8.8 million of unrecognized compensation cost relating to outstanding unvested stock options expected to be recognized over the weighted average period of 2.9 years. Compensation expense is recognized for the fair values of the stock options over the requisite service period of the awards using the graded-vesting attribution method.

Restricted Stock Awards and Restricted Stock Units

During the six months ended June 30, 2015, we issued 1.7 million shares of restricted stock awards and restricted stock units with an average grant price of \$32.33 per share. A portion of these awards vest ratably over three years. Other awards granted to certain members of management cliff vest over two and three year periods.

A summary of restricted stock and restricted stock unit award activity as of June 30, 2015 is presented below:

| | Awards (millions) | | Weighted-Average Fair Value |
|--------------------------------|----------------------|----|--------------------------------|
| Outstanding at January 1, 2015 | — | \$ | — |
| Granted | 1.7 | \$ | 32.33 |
| Vested | — | \$ | — |
| Forfeited | — | \$ | — |
| Outstanding at June 30, 2015 | 1.7 | \$ | 32.33 |

Compensation cost is recorded net of forfeitures. The forfeiture rate assumption is the estimated annual rate at which unvested awards are expected to be forfeited during the vesting period. Periodically, management will assess whether it is necessary to adjust the estimated rate to reflect changes in actual forfeitures or changes in expectations. At June 30, 2015, the Company has estimated its annual forfeiture rate at 0% due to its limited history and expectations of forfeitures.

At June 30, 2015, there was \$49.9 million of unamortized expense relating to unvested restricted stock and restricted stock units that is expected to be amortized over a weighted average period of 2.9 years. Compensation expense is recognized for the fair values of the awards over the requisite service period of the awards using the graded-vesting attribution method.

(8) RELATED PARTY TRANSACTIONS

Carlyle Group L.P. and its affiliates ("Carlyle")

We entered into a consulting agreement with Carlyle Investment Management L.L.C. ("Carlyle Investment"), an affiliate of Carlyle, pursuant to which Carlyle Investment provides certain consulting services to Axalta. Under this agreement, subject to certain conditions, we were required to pay an annual consulting fee to Carlyle Investment of \$3.0 million payable in equal quarterly installments and reimburse Carlyle Investment for out-pocket expenses incurred in providing the consulting services. During the three and six months ended June 30, 2014, we recorded expense of \$0.8 million and \$1.6 million, respectively, related to this consulting agreement. During the three and six months ended June 30, 2015, we recorded no expense as a result of the termination of the consulting agreement upon completion of the IPO in November 2014.

Service King Collision Repair

Service King Collision Repair, a portfolio company of Carlyle, has purchased products from our distributors in the past and may continue to do so in the future. During the third quarter of 2014, Carlyle sold their majority interest in Service King Collision Repair, thus making the entity no longer a related party. Related party sales prior to this transaction were \$2.0 million and \$4.0 million for the three and six months ended June 30, 2014, respectively.

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

(9) OTHER (INCOME) EXPENSE, NET

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--------------------------------------|-----------------------------|-----------------|---------------------------|---------------|
| | 2015 | 2014 | 2015 | 2014 |
| Exchange (gains) losses, net | \$ 57.8 | \$ (14.6) | \$ 66.5 | \$ (14.5) |
| Management fees and expenses | — | 0.8 | — | 1.6 |
| Impairment of real estate investment | 30.6 | — | 30.6 | — |
| Other miscellaneous | 0.2 | 12.2 | (4.6) | 15.8 |
| Total | \$ 88.6 | \$ (1.6) | \$ 92.5 | \$ 2.9 |

Our net exchange (gains) losses for the three and six months ended June 30, 2015 and 2014 consist of remeasurement losses primarily related to the remeasurement of the net monetary assets of our Venezuelan subsidiary, as discussed in further detail below, as well as exchange remeasurement gains and losses primarily related to intercompany transactions denominated in currencies different from the functional currency of the relevant subsidiary. These remeasurements of the intercompany transactions were partially offset by the remeasurement of our Euro borrowings. Other miscellaneous included a gain for the six months ended June 30, 2015 resulting from the acquisition of an additional 25% interest in an equity method investee for a purchase price of \$4.3 million. As a result of the acquisition, we obtained a controlling interest and recognized a gain of \$5.4 million on the remeasurement of our previously held equity interest as of the acquisition date. Other miscellaneous also included a loss of \$12.3 million for the three and six months ended June 30, 2014 resulting from the release of an indemnity receivable, which had been recorded in conjunction with our indemnity provisions from the Acquisition.

Venezuela Devaluation

Based on our participation in Venezuela's Complementary System of Foreign Currency Administration (SICAD I) auction process during the year ended December 31, 2014, we changed the exchange rate we used to remeasure our Venezuelan subsidiary's bolivar denominated monetary assets and liabilities into U.S. dollars to an exchange rate of 12.0 Venezuelan bolivars to 1.0 U.S. dollar at December 31, 2014 from the Official Rate of 6.3 Venezuelan bolivars to 1.0 U.S. dollar. We determined that the exchange rate of 12.0 Venezuelan bolivars to 1.0 U.S. dollar remained the most appropriate rate at March 31, 2015 given that we believed the monetary assets of our Venezuelan subsidiary would be realized through a dividend utilizing the SICAD I auction process.

In February 2015, the Venezuelan government enacted additional changes to its foreign exchange regime. The changes maintain a three-tiered system, including the Official Rate determined by CENCOEX, which remains at 6.3 Venezuelan bolivars to 1.0 U.S. dollar, and the SICAD I rate which remained at 12.0 Venezuelan bolivars to 1.0 U.S. dollar. There was a third market, SICAD II, which has since been eliminated and replaced by a new, alternative currency market, the Marginal Foreign Exchange System ("SIMADI").

SIMADI is intended to provide limited access to a free market rate of exchange. The only way to obtain U.S. dollars through SIMADI is through the supply and demand available within the subsidiary's financial institutions. We believe that significant uncertainty still exists regarding the exchange mechanisms in Venezuela, including how any such mechanisms will operate in the future and the availability of U.S. dollars under each mechanism, including SIMADI. At June 30, 2015, we expect to maintain liquidity through participation in future SIMADI exchanges, if available. Further, although there are uncertainties related to the liquidity available through SIMADI at June 30, 2015, we believe it was appropriate to move from using the SICAD I rate to using the SIMADI floating rate based on the culmination of relevant facts and circumstances, including our expectation that future dividend remittances would be made at this rate.

As a result, at June 30, 2015, we utilized an exchange rate of 197.7 Venezuelan bolivars to 1.0 U.S. dollar to remeasure the monetary assets and liabilities of our Venezuelan subsidiary.

In applying the June 30, 2015 SIMADI exchange rate to the bolivar denominated monetary assets and liabilities of our Venezuelan subsidiary, we recorded an exchange loss of \$53.2 million for the three and six months ended June 30, 2015, which was included in other (income) expense, net.

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

Venezuela Financial Results

As a result of moving from SICAD I to SIMADI and the associated devaluation of our translation rates, we concluded an impairment indicator existed as of June 30, 2015. With the devaluation we evaluated the carrying value of the long-lived assets of our Venezuelan subsidiary for impairment, including \$19.7 million of our property plant and equipment, \$58.7 million of definite-lived intangibles and \$52.6 million of a real estate investment. Based on an analysis of estimated undiscounted future cash flows expected to result from the use of our productive long-lived assets with finite lives, we determined that their carrying values were recoverable at June 30, 2015 based on continued demand and price assumptions of our local operations. The price assumptions include anticipated increases in prices to recover increases in our cost of goods sold as a result of our change to the SIMADI exchange rate at June 30, 2015. These price increases are expected to continue and are intended to allow us to keep pace with the changes in exchange rates and inflation. We believe these price increases are feasible given our market share, customer base and historical success of implementing price increases in similar situations in the past. If our assumptions regarding continued demand and our ability to successfully implement and sustain price increases are inaccurate, there is risk that our productive long-lived assets may be impaired and there would be an unfavorable impact to our results of operations.

We separately evaluated the carrying value of our real estate investment as it is not part of our core operational activities. Based on this evaluation, we concluded that the carrying value of the real estate investment of \$52.6 million was no longer recoverable as a result of the current real estate market prices and movement of our translation rate from 12.0 Venezuelan bolivars to 1.0 U.S. dollar to 197.7 Venezuelan bolivars to 1.0 U.S. dollar. We recorded an impairment to write down the carrying value of the asset to its fair value of \$22.0 million, which is recorded within other assets. The impairment of \$30.6 million was recorded within other (income) expense, net for the three and six months ended June 30, 2015. The method used to determine fair value of the real estate investment included using Level 2 inputs in the form of observable market quotes from local real estate broker service firms.

At June 30, 2015 and December 31, 2014, our Venezuelan subsidiary had total assets of \$139.3 million and \$197.8 million, respectively, and total liabilities of \$28.2 million and \$57.0 million, respectively. At June 30, 2015 and December 31, 2014, total non-monetary assets, net, were \$126.3 million and \$149.6 million. For the six months ended June 30, 2015, our Venezuelan operations represented \$95.1 million in net sales.

(10) INCOME TAXES

Our effective income tax rates for the six months ended June 30, 2015 and 2014 are as follows:

| | Six Months Ended June 30, | |
|--------------------|---------------------------|-------|
| | 2015 | 2014 |
| Effective Tax Rate | 57.8% | 17.0% |

The higher effective tax rate for the six months ended June 30, 2015 was primarily due to the pre-tax impact of currency exchange losses, as well as the impact of an impairment charge, which were not deductible for tax.

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

(11) EARNINGS (LOSS) PER COMMON SHARE

Basic earnings (loss) 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 (loss) per common share includes the effect of potential dilution from the exercise of outstanding stock options and restricted shares. Potentially dilutive securities have been excluded in the weighted average number of common shares used for the calculation of earnings (loss) per share in periods of net loss because the effect of such securities would be anti-dilutive. A reconciliation of our basic and diluted earnings (loss) per common share is as follows:

| (In millions, except per share data) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|---------|---------------------------|---------|
| | 2015 | 2014 | 2015 | 2014 |
| Net income (loss) to common shareholders | \$ (25.1) | \$ 53.8 | \$ 20.0 | \$ 49.5 |
| Basic weighted average shares outstanding | 232.3 | 229.1 | 231.1 | 229.1 |
| Diluted weighted average shares outstanding | 232.3 | 229.3 | 238.1 | 229.1 |
| Earnings (loss) per Common Share: | | | | |
| Basic net income (loss) per share | \$ (0.11) | \$ 0.23 | \$ 0.09 | \$ 0.22 |
| Diluted net income (loss) per share | \$ (0.11) | \$ 0.23 | \$ 0.08 | \$ 0.22 |

The number of anti-dilutive shares that have been excluded in the computation of diluted earnings (loss) per share for the three and six months ended June 30, 2015 were 16.1 million and 0.8 million, respectively. The number of anti-dilutive shares that have been excluded in the computation of diluted earnings (loss) per share for the three and six months ended June 30, 2014 were 12.6 million.

(12) ACCOUNTS AND NOTES RECEIVABLE, NET

| | June 30, 2015 | December 31, 2014 |
|--------------------------------|---------------|-------------------|
| Accounts receivable—trade, net | \$ 702.7 | \$ 638.3 |
| Notes receivable | 47.2 | 45.5 |
| Other | 119.6 | 136.6 |
| Total | \$ 869.5 | \$ 820.4 |

Accounts and notes receivable are carried at amounts that approximate fair value. Accounts receivable—trade, net are net of allowances of \$12.1 million and \$9.9 million at June 30, 2015 and December 31, 2014, respectively. Bad debt expense, within selling, general, and administration expenses for the three and six months ended June 30, 2015, was \$2.8 million and \$3.5 million, respectively, and \$1.0 million and \$2.2 million for the three and six months ended June 30, 2014, respectively.

(13) INVENTORIES

| | June 30, 2015 | December 31, 2014 |
|----------------------------|---------------|-------------------|
| Finished products | \$ 312.3 | \$ 323.7 |
| Semi-finished products | 91.9 | 81.3 |
| Raw materials and supplies | 150.8 | 133.3 |
| Total | \$ 555.0 | \$ 538.3 |

Stores and supplies inventories of \$23.7 million and \$20.9 million at June 30, 2015 and December 31, 2014, respectively, were valued under the weighted average cost method.

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

(14) PROPERTY, PLANT AND EQUIPMENT, NET

Depreciation expense amounted to \$44.4 million and \$85.7 million for the three and six months ended June 30, 2015 , respectively, and \$39.1 million and \$87.5 million for the three and six months ended June 30, 2014 , respectively.

| | June 30, 2015 | December 31, 2014 |
|-------------------------------------|-------------------|-------------------|
| Property, plant and equipment | \$ 1,835.0 | \$ 1,858.2 |
| Accumulated depreciation | (409.9) | (344.1) |
| Property, plant, and equipment, net | <u>\$ 1,425.1</u> | <u>\$ 1,514.1</u> |

(15) BORROWINGS

Borrowings are summarized as follows:

| | June 30, 2015 | December 31, 2014 |
|---|-------------------|-------------------|
| Dollar Term Loan | \$ 2,154.0 | \$ 2,165.5 |
| Euro Term Loan | 439.2 | 481.0 |
| Dollar Senior Notes | 750.0 | 750.0 |
| Euro Senior Notes | 280.1 | 305.3 |
| Short-term and other borrowings | 27.4 | 12.9 |
| Unamortized original issue discount | (16.4) | (18.3) |
| Unamortized deferred financing costs, net | (75.0) | (82.1) |
| | <u>\$ 3,559.3</u> | <u>\$ 3,614.3</u> |
| Less: | | |
| Short term borrowings | \$ 23.2 | \$ 12.2 |
| Current portion of long-term borrowings | 27.5 | 27.9 |
| Long-term debt | <u>\$ 3,508.6</u> | <u>\$ 3,574.2</u> |

Senior Secured Credit Facilities, as amended

On February 3, 2014, Axalta Coating Systems Dutch B B.V. ("Dutch B B.V."), as "Dutch Borrower", and its indirect wholly-owned subsidiary, Axalta Coating Systems U.S. Holdings Inc. ("Axalta US Holdings"), as "US Borrower", executed the second amendment to the Senior Secured Credit Facilities (the "Amendment" or the "Refinancing"). The Amendment (i) converted all of the outstanding Dollar Term Loans (\$2,282.8 million) into a new class of term loans (the "New Dollar Term Loans"), and (ii) converted all of the outstanding Euro Term Loans (€397.0 million) into a new class of term loans (the "New Euro Term Loans" and, together with the New Dollar Term Loans and the Revolving Credit Facility (as defined herein), the "Senior Secured Credit Facilities"). The New Dollar Term Loans are subject to a floor of 1.00% , plus an applicable rate after the Amendment Effective Date. The applicable rate for such New Dollar Term Loans is 3.00% per annum for Eurocurrency Rate Loans as defined in the credit agreement governing the Senior Secured Credit Facilities (the "Credit Agreement") and 2.00% per annum for Base Rate Loans as defined in the Credit Agreement. The applicable rate for both Eurocurrency Rate Loans as well as Base Rate Loans is subject to a further 25 basis point reduction if the Total Net Leverage Ratio as defined in the credit agreement governing the Senior Secured Credit Facilities is less than or equal to 4.50 :1.00. The New Euro Term Loans are also subject to a floor of 1.00% , plus an applicable rate after the Amendment Effective Date. The applicable rate for such New Euro Term Loans is 3.25% per annum for Eurocurrency Rate Loans. New Euro Term Loans may not be Base Rate Loans. The applicable rate is subject to a further 25 basis point reduction if the Total Net Leverage Ratio is less than or equal to 4.50 :1.00. During the third quarter of 2014, our Total Net Leverage Ratio was and has continued to be less than 4.50 :1.00. Consequently, the applicable rates were changed to 2.75% for the New Dollar Term Loans and 3.00% for the New Euro Term Loans through June 30, 2015.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(In millions, unless otherwise noted)

The Senior Secured Credit Facilities are secured by substantially all assets of Axalta Coating Systems Dutch A B. V. ("Dutch A B.V.") and the guarantors. The Dollar Term Loan and Euro Term Loan mature on February 1, 2020 and the Revolving Credit Facility matures on February 1, 2018 . Principal is paid quarterly on both the Dollar Term Loan and the Euro Term Loan based on 1% per annum of the original principal amount with the unpaid balance due at maturity.

Interest is payable quarterly on both the New Dollar Term Loan and the New Euro Term Loan. Prior to the Amendment, interest on the Dollar Term Loan was subject to a floor of 1.25% for Eurocurrency Rate Loans plus an applicable rate of 3.50% . 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, an Adjusted Eurocurrency Rate, or 2.25% plus an applicable rate of 2.50% . Interest on the Euro Term Loan, a Eurocurrency Loan, was subject to a floor of 1.25% plus an applicable rate of 4.00% .

Under the Senior Secured Credit Facilities, interest on any outstanding borrowings under the Revolving Credit Facility is subject to a floor of 1.00% for Eurocurrency Rate Loans plus an applicable rate of 3.50% (subject to an additional step-down to 3.25%). For Base Rate Loans, the interest is subject to a floor of the greater of the federal funds rate plus 0.50% , the Prime Lending Rate, an Adjusted Eurocurrency Rate, or 2.00% plus an applicable rate of 2.50% (subject to an additional step-down to 2.25%).

Under circumstances described in the Credit Agreement, we may increase available revolving or term facility borrowings by up to \$400.0 million plus an additional amount subject to the Company not exceeding a maximum first lien leverage ratio described in the Credit Agreement.

Any indebtedness under the Senior Secured Credit Facilities may be voluntarily prepaid in whole or in part, in minimum amounts, subject to the make-whole provisions set forth in the Credit Agreement. Such indebtedness is subject to mandatory prepayments amounting to the proceeds of asset sales over \$25.0 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.

We are subject to customary negative covenants as well as a financial covenant which is a maximum First Lien Leverage Ratio. This financial covenant is applicable only when greater than 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.

Deferred financing costs of \$92.9 million and original issue discounts of \$25.7 million were incurred at the inception of the Senior Secured Credit Facilities. These amounts are recorded as direct deductions of the associated debt obligations, with the exception of deferred financing costs related to the Revolving Credit Facility, which are classified within Other assets on the condensed consolidated balance sheets as the associated debt has been undrawn since inception, and are amortized as interest expense over the life of the Senior Secured Credit Facilities.

Amortization expense related to deferred financing costs, net for the three and six months ended June 30, 2015 were \$3.4 million and \$6.6 million , respectively. Amortization expense related to deferred financing costs, net for the three and six months ended June 30, 2014 were \$ 3.4 million and \$6.7 million , respectively.

Amortization expense related to original issue discounts for the three and six months ended June 30, 2015 were \$0.8 million and \$1.6 million , respectively. Amortization expense related to original issue discounts for the three and six months ended June 30, 2014 were \$0.8 million and \$1.7 million , respectively.

At June 30, 2015 and December 31, 2014 there were no borrowings under the Revolving Credit Facility. At June 30, 2015 and December 31, 2014 , letters of credit issued under the Revolving Credit Facility totaled \$21.0 million and \$15.5 million , respectively, which reduced the availability under the Revolving Credit Facility. Availability under the Revolving Credit Facility was \$379.0 million and \$384.5 million at June 30, 2015 and December 31, 2014 , respectively.

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

Senior Notes

On February 1, 2013, Dutch B.B.V., as "Dutch Issuer", and Axalta US Holdings, as "US Issuer" (collectively the "Issuers") issued \$750.0 million aggregate principal amount of 7.375% senior unsecured notes due 2021 (the "Dollar Senior Notes") and related guarantees thereof. Additionally, the Issuers issued € 250.0 million aggregate principal amount of 5.750% senior secured notes due 2021 (the "Euro Senior Notes" and, together with the Dollar Senior Notes, the "Senior Notes") and related guarantees thereof. Cash fees related to the issuance of the Senior Notes were \$33.1 million are recorded as direct deductions of the associated debt obligations, and are amortized as interest expense over the life of the Senior Notes. At June 30, 2015 and December 31, 2014, the remaining unamortized balances were \$23.3 million and \$25.3 million, respectively. The expense related to the amortization of the deferred financing costs, net was \$1.0 million and \$ 2.0 million for both of the three and six months ended June 30, 2015 and 2014.

The Senior Notes are unconditionally guaranteed on a senior basis by Dutch A.B.V. and certain of the Issuers' subsidiaries.

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

(i) Euro Senior Notes

The Euro Senior Notes were sold at par and are due February 1, 2021. The Euro Senior Notes bear interest at 5.750% and are payable semi-annually on February 1 and August 1. Cash fees related to the issuance of the Euro Senior Notes were \$10.2 million are recorded as direct deductions of the associated debt obligations and are amortized into interest expense over the life of the Euro Senior Notes. At June 30, 2015 and December 31, 2014, the remaining unamortized balances was \$7.1 million and \$7.7 million, respectively.

On or after February 1, 2016, we have the option to redeem all or part of the Euro Senior Notes at the following redemption prices (expressed as percentages of principal amount):

| Period | Euro Notes Percentage |
|---------------------|-----------------------|
| 2016 | 104.313% |
| 2017 | 102.875% |
| 2018 | 101.438% |
| 2019 and thereafter | 100.000% |

Notwithstanding the foregoing, at any time and from time to time prior to February 1, 2016, we may at our option redeem in the aggregate up to 40% of the original aggregate principal amount of the Euro Senior Notes with the net cash proceeds of one or more Equity Offerings (as defined in the indenture governing the Euro Senior Notes), at a redemption price of 105.750% plus accrued and unpaid interest, if any, to the redemption date.

In addition, we have the option to redeem up to 10% of the Euro Senior Notes during any 12-month period from issue date until February 1, 2016 at a redemption price of 103.0%, plus accrued and unpaid interest, if any, to the redemption date.

Upon the occurrence of certain events constituting a change of control, holders of the Euro Senior Notes have the right to require us to repurchase all or any part of the 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 indebtedness evidenced by the Euro Senior Notes and related guarantees is secured on a first-lien basis by the same assets that secure the obligations under the Senior Secured Credit Facilities, subject to permitted liens and applicable local law limitations, is senior in right of payment to all future subordinated indebtedness of the Issuers, is equal in right of payment to all existing and future senior indebtedness of the Issuers and is effectively senior to any unsecured indebtedness of the Issuers, including the Dollar Senior Notes, to the extent of the value securing the Euro Senior Notes.

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

(ii) Dollar Senior Notes

The Dollar Senior Notes were sold at par and are due May 1, 2021 . The Dollar Senior Notes bear interest at 7.375% and are payable semi-annually on February 1 and August 1. Cash fees related to the issuance of the Dollar Senior Notes were \$22.9 million . At June 30, 2015 and December 31, 2014 , the remaining unamortized balances were \$16.2 million and \$17.6 million , respectively.

On or after February 1, 2016, we have the option to redeem all or part of the Dollar Senior Notes at the following redemption prices (expressed as percentages of principal amount)

| Period | Dollar Notes Percentage |
|---------------------|-------------------------|
| 2016 | 105.531% |
| 2017 | 103.688% |
| 2018 | 101.844% |
| 2019 and thereafter | 100.000% |

Notwithstanding the foregoing, at any time and from time to time prior to February 1, 2016, we may at our option redeem in the aggregate up to 40% of the original aggregate principal amount of the Dollar Senior Notes with the net cash proceeds of one or more Equity Offerings (as defined in the indenture governing the Dollar Senior Notes), at a redemption price of 107.375% plus accrued and unpaid interest, if any, to the redemption date.

Upon the occurrence of certain events constituting a change of control, holders of the Dollar Senior Notes have the right to require us to repurchase all or any part of the 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 indebtedness evidenced by the 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 is equal in right of payment to all existing and future senior indebtedness of the Issuers. The Dollar Senior Notes are effectively subordinated to any secured indebtedness of the Issuers (including indebtedness of the Issuers outstanding under the Senior Secured Credit Facilities and the Euro Senior Notes) 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 June 30, 2015 .

| | | |
|-------------------|----|----------------|
| Remainder of 2015 | \$ | 19.6 |
| 2016 | | 36.7 |
| 2017 | | 29.6 |
| 2018 | | 28.4 |
| 2019 | | 27.7 |
| Thereafter | | 3,500.2 |
| | \$ | <u>3,642.2</u> |

Notes to Condensed Consolidated Financial Statements (Unaudited)

(In millions, unless otherwise noted)

Reclassifications and revisions

During 2014, the Company identified errors in the determination of the effective interest rate amortization for the Deferred Financing Costs and Original Issue Discounts that were incurred in 2013. The correction of these items impacted the condensed consolidated statement of operations and statements of comprehensive income (loss) for the three and six months ended June 30, 2014. The Company assessed the applicable guidance and concluded that these errors were not material to the Company's consolidated financial statements for the aforementioned prior periods; however, the Company did conclude that correcting these prior misstatements would be significant to the three and nine months ended September 30, 2014 condensed consolidated statements of operations. As a result of this analysis, the unaudited condensed consolidated financial statements at June 30, 2014 presented herein have been revised to reflect the correction of the aforementioned errors. The correction had an impact of \$2.5 million on net income (loss) and net income (loss) attributable to controlling interests for the three months ended June 30, 2014 through a reduction in interest expense of \$2.9 million (net of a tax provision of \$0.4 million). The correction had an impact of \$5.3 million on net income (loss) and Net income (loss) attributable to controlling interests for the six months ended June 30, 2014, respectively through a reduction in interest expense of \$6.0 million (net of a tax provision of \$0.7 million).

(16) FAIR VALUE ACCOUNTING***Fair value of financial instruments***

Available for sale securities - The fair value of available for sale securities was \$4.5 million at June 30, 2015 and December 31, 2014. The fair value was based upon either Level 1 inputs when the securities are actively traded with quoted market prices or Level 2 when the securities are not frequently traded.

Long-term borrowings - The fair values of the Dollar Senior Notes and Euro Senior Notes at June 30, 2015 were \$801.6 million and \$294.1 million, respectively. The fair values at December 31, 2014 were \$795.0 million and \$320.5 million, respectively. The estimated fair values of these notes are based on recent trades, as reported by a third party pricing service. Due to the infrequency of trades of the Dollar Senior Notes and the Euro Senior Notes, these inputs are considered to be Level 2 inputs.

The fair values of the New Dollar Term Loan and the New Euro Term Loan at June 30, 2015 were \$2,151.3 million and \$439.7 million, respectively. The fair values at December 31, 2014 were \$2,100.5 million and \$478.0 million, respectively. The estimated fair values of the Dollar Term Loan and the Euro Term Loan are based on recent trades, as reported by a third party pricing service. Due to the infrequency of trades of the Dollar Term Loan and the Euro Term Loan, these inputs are considered to be Level 2 inputs.

(17) 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.

During the year ended December 31, 2013, we entered into five interest rate swaps with notional amounts totaling \$1,173.0 million to hedge interest rate exposures related to variable rate borrowings under the Senior Secured Credit Facilities. The interest rate swaps are in place until September 29, 2017. The interest rate swaps qualify and are designated as effective cash flow hedges.

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

The following table presents the location and fair values using Level 2 inputs of derivative instruments that qualify and have been designated as cash flow hedges included in our condensed consolidated balance sheet:

| | June 30, 2015 | December 31, 2014 |
|---------------------------|---------------|-------------------|
| Other assets: | | |
| Interest rate swaps | \$ 0.8 | \$ 5.9 |
| Total assets | \$ 0.8 | \$ 5.9 |
| Other liabilities: | | |
| Interest rate swaps | \$ 2.2 | \$ 1.5 |
| Total liabilities | \$ 2.2 | \$ 1.5 |

The following table presents the location and fair values using Level 2 inputs of derivative instruments that have not been designated as hedges included in our condensed consolidated balance sheet:

| | June 30, 2015 | December 31, 2014 |
|----------------------------|---------------|-------------------|
| Other assets: | | |
| Interest rate cap | \$ 0.1 | \$ 0.1 |
| Foreign currency contracts | 0.7 | — |
| Total assets | \$ 0.8 | \$ 0.1 |

For derivative instruments that qualify and are designated as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of Accumulated other comprehensive loss and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

The following tables set forth the locations and amounts recognized during the three and six months ended June 30, 2015 and 2014 for these cash flow hedges.

| Derivatives in Cash Flow Hedging Relationships | Amount of (Gain) Loss Recognized in OCI on Derivatives (Effective Portion) | | Location of (Gain) Loss Reclassified from Accumulated OCI into Income (Effective Portion) | Amount of (Gain) Loss Reclassified from Accumulated OCI to Income (Effective Portion) | | Location of (Gains) Losses Recognized in Income on Derivatives (Ineffective Portion) | Amount of (Gain) Loss Recognized in Income on Derivatives (Ineffective Portion) | |
|--|--|----------------------------------|---|---|----------------------------------|--|---|----------------------------------|
| | Three Months Ended June 30, 2015 | Three Months Ended June 30, 2014 | | Three Months Ended June 30, 2015 | Three Months Ended June 30, 2014 | | Three Months Ended June 30, 2015 | Three Months Ended June 30, 2014 |
| Interest rate contracts | \$ (0.3) | \$ 5.5 | Interest expense, net | \$ 1.6 | \$ 1.6 | Interest expense, net | \$ 0.2 | \$ (0.6) |

| Derivatives in Cash Flow Hedging Relationships | Amount of (Gain) Loss Recognized in OCI on Derivatives (Effective Portion) | | Location of (Gain) Loss Reclassified from Accumulated OCI into Income (Effective Portion) | Amount of (Gain) Loss Reclassified from Accumulated OCI to Income (Effective Portion) | | Location of (Gains) Losses Recognized in Income on Derivatives (Ineffective Portion) | Amount of (Gain) Loss Recognized in Income on Derivatives (Ineffective Portion) | |
|--|--|--------------------------------|---|---|--------------------------------|--|---|--------------------------------|
| | Six Months Ended June 30, 2015 | Six Months Ended June 30, 2014 | | Six Months Ended June 30, 2015 | Six Months Ended June 30, 2014 | | Six Months Ended June 30, 2015 | Six Months Ended June 30, 2014 |
| Interest rate contracts | \$ 4.5 | \$ 5.0 | Interest expense, net | \$ 3.2 | \$ 3.2 | Interest expense, net | \$ 1.4 | \$ 0.7 |

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

Also during the year ended December 31, 2013, we purchased a € 300.0 million 1.5% interest rate cap on our Euro Term Loan that is in place until September 29, 2017. We paid a premium of \$3.1 million for the interest rate cap. The interest rate cap was not designated as a hedge and the changes in the fair value of the derivative instrument are recorded in current period earnings and are included in interest expense.

Fair value gains and losses of derivative contracts, as determined using Level 2 inputs, that do not qualify for hedge accounting treatment are recorded in income as follows:

| Derivatives Not Designated as Hedging Instruments under ASC 815 | Location of (Gain) Loss Recognized in Income on Derivatives | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|-----------------------------|---------------|---------------------------|---------------|
| | | 2015 | 2014 | 2015 | 2014 |
| Foreign currency forward contract | Other (income) expense, net | \$ (0.1) | \$ 0.7 | \$ (1.9) | \$ 1.9 |
| Interest rate cap | Interest expense, net | (0.1) | 1.3 | (0.1) | 3.1 |
| | | <u>\$ (0.2)</u> | <u>\$ 2.0</u> | <u>\$ (2.0)</u> | <u>\$ 5.0</u> |

(18) SEGMENTS

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

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

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

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

Our business serves four end-markets globally as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|-------------------|---------------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Performance Coatings | | | | |
| Refinish | \$ 460.1 | \$ 471.1 | \$ 853.3 | \$ 906.3 |
| Industrial | 178.7 | 193.9 | 342.7 | 374.8 |
| Total Net sales Performance Coatings | 638.8 | 665.0 | 1,196.0 | 1,281.1 |
| Transportation Coatings | | | | |
| Light Vehicle | 347.2 | 363.4 | 680.4 | 703.0 |
| Commercial Vehicle | 108.1 | 98.2 | 206.9 | 189.9 |
| Total Net sales Transportation Coatings | 455.3 | 461.6 | 887.3 | 892.9 |
| Total Net sales | <u>\$ 1,094.1</u> | <u>\$ 1,126.6</u> | <u>\$ 2,083.3</u> | <u>\$ 2,174.0</u> |

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

Asset information is not reviewed or included with our internal management reporting. Therefore, the Company has not disclosed asset information for each reportable segment.

| | Three Months Ended June 30, | | | | | |
|---|------------------------------------|----------------------------|------------|-------------------------|----------------------------|------------|
| | 2015 | | | 2014 | | |
| | Performance Coatings | Transportation Coatings | Total | Performance Coatings | Transportation Coatings | Total |
| Net sales ⁽¹⁾ | \$ 638.8 | \$ 455.3 | \$ 1,094.1 | \$ 665.0 | \$ 461.6 | \$ 1,126.6 |
| Equity in earnings in unconsolidated affiliates | 0.2 | 0.2 | 0.4 | 0.2 | — | 0.2 |
| Adjusted EBITDA ⁽²⁾ | 162.1 | 93.4 | 255.5 | 136.7 | 84.4 | 221.1 |
| Investment in unconsolidated affiliates | 5.7 | 6.8 | 12.5 | 8.3 | 8.0 | 16.3 |

| | Six Months Ended June 30, | | | | | |
|---|----------------------------------|----------------------------|------------|-------------------------|----------------------------|------------|
| | 2015 | | | 2014 | | |
| | Performance Coatings | Transportation Coatings | Total | Performance Coatings | Transportation Coatings | Total |
| Net sales ⁽¹⁾ | \$ 1,196.0 | \$ 887.3 | \$ 2,083.3 | \$ 1,281.1 | \$ 892.9 | \$ 2,174.0 |
| Equity in earnings in unconsolidated affiliates | 0.3 | 0.5 | 0.8 | 0.5 | 0.3 | 0.8 |
| Adjusted EBITDA ⁽²⁾ | 269.2 | 168.3 | 437.5 | 261.2 | 146.6 | 407.8 |
| Investment in unconsolidated affiliates | 5.7 | 6.8 | 12.5 | 8.3 | 8.0 | 16.3 |

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

(2) The primary measure of segment operating performance is Adjusted EBITDA, which is defined as net income (loss) before interest, taxes, depreciation and amortization and other unusual items impacting operating results. Adjusted EBITDA is a key metric that is used by management to evaluate business performance in comparison to budgets, forecasts, and prior year financial results, providing a measure that management believes reflects the Company's core operating performance. Reconciliation of Adjusted EBITDA to income (loss) before income taxes follows:

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|----------|---------------------------|----------|
| | 2015 | 2014 | 2015 | 2014 |
| Income before income taxes | \$ 5.2 | \$ 54.5 | \$ 53.1 | \$ 62.8 |
| Interest expense, net | 49.2 | 54.9 | 99.2 | 113.9 |
| Depreciation and amortization | 77.5 | 71.8 | 150.1 | 152.9 |
| EBITDA | 131.9 | 181.2 | 302.4 | 329.6 |
| Inventory step-up ^(a) | 0.5 | — | 0.5 | — |
| Financing costs ^(b) | — | — | — | 3.1 |
| Foreign exchange remeasurement losses (gains) ^(c) | 57.8 | (14.6) | 66.5 | (14.5) |
| Long-term employee benefit plan adjustments ^(d) | 0.2 | 2.2 | 0.4 | 4.5 |
| Termination benefits and other employee related costs ^(e) | 14.8 | 2.7 | 18.5 | 5.9 |
| Consulting and advisory fees ^(f) | 6.8 | 7.7 | 9.9 | 20.7 |
| Transition-related costs ^(g) | — | 33.6 | — | 47.5 |
| Secondary offering costs ^(h) | 0.3 | — | 1.7 | — |
| Other adjustments ⁽ⁱ⁾ | 13.2 | 8.2 | 11.1 | 11.0 |
| Dividends in respect of noncontrolling interest ^(j) | (0.6) | (0.7) | (4.1) | (1.6) |
| Management fee expense ^(k) | — | 0.8 | — | 1.6 |
| Asset impairment ^(l) | 30.6 | — | 30.6 | — |
| Adjusted EBITDA | \$ 255.5 | \$ 221.1 | \$ 437.5 | \$ 407.8 |

- (a) During the three and six months ended June 30, 2015, we recorded a non-cash fair value inventory adjustment associated with an acquisition. These amounts increased cost of goods sold by \$0.5 million.
- (b) In connection with an amendment to the Senior Secured Credit Facilities in February 2014, we recognized \$3.1 million of costs during the six months ended June 30, 2014.
- (c) Eliminates foreign exchange gains and losses resulting from the remeasurement of assets and liabilities denominated in foreign currencies.
- (d) Eliminates the non-service cost components of long-term employee benefit costs.
- (e) Represents expenses primarily related to employee termination benefits and other employee-related costs. Termination benefits include the costs associated with our headcount initiatives associated with cost saving opportunities that were related to our transition to a standalone entity and our Axalta Way cost savings initiatives in 2015.
- (f) Represents fees paid to consultants, advisors, and other third-party professional organizations for professional services. Amounts incurred for the three and six months ended June 30, 2015 primarily relate to our Axalta Way cost savings initiatives. Amounts incurred for the three and six months ended June 30, 2014 relate to our transition from DuPont to a standalone entity.
- (g) Represents charges associated with the transition from DuPont to a standalone entity, including branding and marketing, information technology related costs, and facility transition costs.
- (h) Represents costs associated with the offerings of our common shares by Carlyle that closed in April 2015.
- (i) Represents costs for certain unusual or non-operational (gains) and losses, including a \$5.4 million gain recognized during the six months ended June 30, 2015 resulting from the remeasurement of our previously held interest in an equity method investee upon the acquisition of a controlling interest, stock-based compensation, equity investee dividends, indemnity losses associated with the Acquisition, and loss (gain) on sale and disposal of property, plant and equipment.
- (j) Represents the payment of dividends to our joint venture partners by our consolidated entities that are not wholly owned.
- (k) Pursuant to Axalta's management agreement with Carlyle Investment for management and financial advisory services and oversight provided to Axalta and its subsidiaries, Axalta was required to pay an annual management fee of \$3.0 million and out-of-pocket expenses. This agreement terminated upon completion of the IPO in November 2014.

- (1) As a result of the currency devaluation in Venezuela, we evaluated the carrying values of our long-lived assets for impairment and recorded an impairment charge relating to a real estate investment of \$30.6 million . See Note 9 for more information.

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

(19) SHAREHOLDERS' EQUITY

The following tables present the change in total shareholders' equity for the six months ended June 30, 2015 and 2014, respectively.

| | Total Axalta | Noncontrolling Interests | Total |
|---|--------------|-----------------------------|------------|
| Balance January 1, 2015 | \$ 1,044.7 | \$ 67.3 | \$ 1,112.0 |
| Net income | 20.0 | 2.4 | 22.4 |
| Other comprehensive (loss), net of tax | (86.8) | (0.2) | (87.0) |
| Exercise of stock options | 50.4 | — | 50.4 |
| Recognition of stock-based compensation | 14.2 | — | 14.2 |
| Noncontrolling interests of acquired subsidiaries | — | 4.3 | 4.3 |
| Dividends declared to noncontrolling interests | — | (4.1) | (4.1) |
| Balance June 30, 2015 | \$ 1,042.5 | \$ 69.7 | \$ 1,112.2 |

| | Total Axalta | Noncontrolling Interests | Total |
|--|--------------|-----------------------------|------------|
| Balance January 1, 2014 | \$ 1,142.9 | \$ 68.9 | \$ 1,211.8 |
| Net income | 49.5 | 2.6 | 52.1 |
| Other comprehensive (loss), net of tax | (8.3) | (1.1) | (9.4) |
| Recognition of stock-based compensation | 3.8 | — | 3.8 |
| Dividends declared to noncontrolling interests | — | (1.6) | (1.6) |
| Balance June 30, 2014 | \$ 1,187.9 | \$ 68.8 | \$ 1,256.7 |

(20) ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

| | Unrealized Currency Translation Adjustments | Pension and Other Long-term Employee Benefit Adjustments | Unrealized Gain (Loss) on Securities | Unrealized Gain (Losses) on Derivatives | Accumulated Other Comprehensive Income (loss) |
|---|--|---|--|---|--|
| December 31, 2014 | \$ (72.1) | \$ (31.2) | \$ (0.2) | \$ 0.2 | \$ (103.3) |
| Current year deferrals to AOCI | (82.1) | (3.1) | 0.4 | 0.4 | (84.4) |
| Reclassifications from AOCI to Net income | — | 0.8 | — | (3.2) | (2.4) |
| Net Change | (82.1) | (2.3) | 0.4 | (2.8) | (86.8) |
| June 30, 2015 | \$ (154.2) | \$ (33.5) | \$ 0.2 | \$ (2.6) | \$ (190.1) |

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

The income tax benefit related to the changes in pension and other long-term employee benefits for the six months ended June 30, 2015 was \$1.7 million . The cumulative income tax benefit related to the adjustments for pension and other long-term employee benefits at June 30, 2015 was \$15.1 million . The income tax benefit related to the change in the unrealized loss on derivatives for the six months ended June 30, 2015 was \$1.7 million . The cumulative income tax benefit related to the adjustments for unrealized loss on derivatives at June 30, 2015 was \$1.5 million .

| | Unrealized Currency Translation Adjustments | Pension and Other Long-term Employee Benefit Adjustments | Unrealized Loss on Securities | Unrealized Gain (Loss) on Derivatives | Accumulated Other Comprehensive Income |
|---|--|---|-------------------------------------|---|---|
| December 31, 2013 | \$ 24.3 | \$ 7.5 | \$ (0.9) | \$ 3.1 | \$ 34.0 |
| Current year deferrals to AOCI | (9.9) | 4.7 | 0.8 | 0.1 | (4.3) |
| Reclassifications from AOCI to Net income | — | (0.8) | — | (3.2) | (4.0) |
| Net Change | (9.9) | 3.9 | 0.8 | (3.1) | (8.3) |
| June 30, 2014 | \$ 14.4 | \$ 11.4 | \$ (0.1) | \$ — | \$ 25.7 |

Included within current year deferrals to accumulated other comprehensive income for the six months ended June 30, 2014 was \$5.6 million of curtailment gains related to an amendment to one of our pension plans.

The income tax impact related to the changes in pension and other long-term employee benefits for the six months ended June 30, 2014 was expense of \$0.9 million . The cumulative income tax expense related to the adjustment for pension and other long-term employee benefits at June 30, 2014 was \$4.4 million . The income tax expense related to the change in the unrealized gain on derivatives for the six months ended June 30, 2014 was \$1.9 million . The cumulative income tax expense related to the adjustment for unrealized gain on derivatives at June 30, 2014 was \$0.0 million .

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations includes statements regarding industry outlook, our expectations regarding the performance of our business and other forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Non-GAAP Financial Measures," and "Forward-Looking Statements" as well as "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014. These statements include those that related to estimates reflected in our financial results as well as management's plan and outlook. Our actual results may differ materially from those contained in or implied by any forward-looking statements. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the interim unaudited condensed consolidated financial statements and the condensed notes thereto included elsewhere in this quarterly report, as well as the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

FORWARD-LOOKING STATEMENTS

Many statements made in this Quarterly Report on Form 10-Q that are not statements of historical fact, including statements about our beliefs and expectations, are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 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 and strategies. These statements often include words such as "anticipate," "expect," "suggests," "plan," "believe," "intend," "estimates," "targets," "projects," "should," "could," "would," "may," "will," "forecast," and other similar expressions. We base these forward-looking statements or projections on our current expectations, plans and assumptions that we have made in light of our experience in the industry, as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances and at such time. As you read and consider this Quarterly Report on Form 10-Q, you should understand that these statements are not guarantees of performance or results. The forward-looking statements and projections are subject to and involve risks, uncertainties and assumptions and you should not place undue reliance on these forward-looking statements or projections. Although we believe that these forward-looking statements and projections are based on reasonable assumptions at the time they are made, you should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those expressed in the forward-looking statements and projections. Factors that may materially affect such forward-looking statements and projections include:

- adverse developments in economic conditions and, particularly, in conditions in the automotive and transportation industries;
- our inability to successfully execute on our growth strategy;
- risks associated with our non-U.S. operations;
- currency-related risks;
- increased competition;
- risks of the loss of any of our significant customers or the consolidation of MSOs, distributors and/or body shops;
- price increases or interruptions in our supply of raw materials;
- failure to develop and market new products and manage product life cycles;
- litigation and other commitments and contingencies;
- significant environmental liabilities and costs as a result of our current and past operations or products, including operations or products related to our business prior to the Acquisition;
- unexpected liabilities under any pension plans applicable to our employees;
- risk that the insurance we maintain may not fully cover all potential exposures;
- failure to comply with the anti-corruption laws of the United States and various international jurisdictions;
- failure to comply with anti-terrorism laws and regulations and applicable trade embargoes;
- business disruptions, security threats and security breaches;

- our ability to protect and enforce intellectual property rights;
- intellectual property infringement suits against us by third parties;
- our substantial indebtedness;

Table of Contents

- our ability to obtain additional capital on commercially reasonable terms may be limited;
- our ability to realize the anticipated benefits of any acquisitions and divestitures;
- our joint ventures' ability to operate according to our business strategy should our joint venture partners fail to fulfill their obligations;
- ability to recruit and retain the experienced and skilled personnel we need to compete;
- work stoppages, union negotiations, labor disputes and other matters associated with our labor force;
- terrorist acts, conflicts, wars and natural disasters that may materially adversely affect our business, financial condition and results of operations;
- transporting certain materials that are inherently hazardous due to their toxic nature;
- weather conditions that may temporarily reduce the demand for some of our products;
- reduced demand for some of our products as a result of improved safety features on vehicles and insurance company influence;
- the amount of the costs, fees, expenses and charges related to being a public company;
- any statements of belief and any statements of assumptions underlying any of the foregoing;
- Carlyle's ability to significantly influence our decisions;
- other factors disclosed in this Quarterly Report on Form 10-Q; and
- other factors beyond our control.

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

OVERVIEW

We are a leading global manufacturer, marketer and distributor of high performance coatings systems. We have a nearly 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 35 manufacturing facilities, 7 technology centers, 45 customer training centers and approximately 12,600 employees allows us to meet the needs of customers in over 130 countries. We serve our customer base through an extensive sales force and technical support organization, as well as through over 4,000 independent, locally based distributors.

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

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

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

On November 11, 2014, we priced our initial public offering (the "Offering", or the "IPO"), in which certain selling shareholders affiliated with Carlyle sold 57,500,000 common shares at a price of \$19.50 per share. We received no proceeds from the Offering.

On April 8, 2015, we completed a Secondary Offering in which our then-majority shareholder, Carlyle, sold an aggregate of 40,000,000 common shares at a public offering price of \$28.00 per share. The underwriters also exercised their over-allotment option and purchased an additional 6,000,000 common shares.

On April 8, 2015, Carlyle also sold 20,000,000 common shares in a private placement to an affiliate of Berkshire Hathaway Inc. at \$28.00 per share.

We did not receive any proceeds from the sale of common shares in the Secondary Offering or the private placement.

BUSINESS HIGHLIGHTS AND TRENDS

From 2012 to 2014, we managed the transition of ownership and operational separation resulting from the planned divestiture of our business by DuPont and ultimately the Acquisition, including significant changes to our senior leadership team. During this time period, our Adjusted EBITDA grew at a 21% CAGR primarily as the result of several strategic initiatives focused on margin improvement. In addition to regular price increases in our refinish end-market, these initiatives included selective price increases in other end-markets, reducing sales with lower margin customers and productivity improvements, which collectively drove Adjusted EBITDA growth in both of our segments.

From 2012 to 2014, our net sales grew at a 2% CAGR with net sales growth in both our Transportation Coatings segment and our Performance Coatings segment. Net sales in our Transportation Coatings segment grew at a 1% CAGR, driven by consistent net sales in our light vehicle end-market and increasing sales in our commercial vehicle end-market, primarily as a result of increased vehicle production in North America and Asia Pacific and improvements in average selling price, driven by new product and color introductions. Net sales in our Performance Coatings segment increased at a 2% CAGR over the same period as a result of higher average selling prices, partially offset by lower volumes in both our refinish and industrial end-markets in developed markets as well as unfavorable impacts of currency exchange. In EMEA, volumes declined as a result of a difficult economic environment. In North America, our lack of participation in the MSO market prior to the Acquisition had a negative impact on our volumes as MSO body shops increased the number of vehicles serviced at the expense of independent body shop customers. These factors in developed markets were partially offset by continued refinish net sales growth in the emerging markets.

Our net sales decreased approximately 4% for the six months ended June 30, 2015 compared to the six months ended June 30, 2014, primarily due to a decline of approximately 11% from unfavorable currency translation. Excluding the impact of currency translation, our net sales increased approximately 7% as a result of an increase in average selling prices primarily within Latin America and an increase in sales volumes in North America, Latin America and Asia Pacific. The following trends have impacted our segment and end-market sales performance for the six months ended June 30, 2015:

- *Performance Coatings:* Net sales excluding currency translation increased approximately 6% driven by increases in average selling price within our refinish end-market, particularly in Latin America, and increased volumes in both our refinish and industrial end-markets.
- *Transportation Coatings:* Net sales excluding currency translation increased approximately 9% driven primarily by volume growth in both our light vehicle and commercial vehicle end-markets from new business wins and increased vehicle builds in North America, Latin America and Asia Pacific.

Since the Acquisition, we have implemented numerous initiatives to reduce our fixed and variable costs that have improved our Adjusted EBITDA margin. Examples include transitioning our IT systems to more cost-effective solutions that better meet our needs as an independent company, developing a global procurement organization to reduce procurement costs and investing in a European manufacturing re-alignment to position the region for profitable growth. Additionally in 2015, we commenced a new "Axalta Way" initiative which focuses on commercial alignment and cost reduction. These initiatives are contributing to our financial results and we believe they will continue to drive profitability improvements over the next several years.

Our business serves four end-markets globally as follows:

| (In millions) | Three Months Ended June 30, | | 2015 vs 2014 | Six Months Ended June 30, | | 2015 vs 2014 |
|---|-----------------------------|------------|--------------|---------------------------|------------|--------------|
| | 2015 | 2014 | % change | 2015 | 2014 | % change |
| Performance Coatings | | | | | | |
| Refinish | \$ 460.1 | \$ 471.1 | (2.3)% | \$ 853.3 | \$ 906.3 | (5.8)% |
| Industrial | 178.7 | 193.9 | (7.8)% | 342.7 | 374.8 | (8.6)% |
| Total Net sales Performance Coatings | 638.8 | 665.0 | (3.9)% | 1,196.0 | 1,281.1 | (6.6)% |
| Transportation Coatings | | | | | | |
| Light Vehicle | 347.2 | 363.4 | (4.5)% | 680.4 | 703.0 | (3.2)% |
| Commercial Vehicle | 108.1 | 98.2 | 10.1 % | 206.9 | 189.9 | 9.0 % |
| Total Net sales Transportation Coatings | 455.3 | 461.6 | (1.4)% | 887.3 | 892.9 | (0.6)% |
| Total Net sales | \$ 1,094.1 | \$ 1,126.6 | (2.9)% | \$ 2,083.3 | \$ 2,174.0 | (4.2)% |

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 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; 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 "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014.

Other revenue

Other revenue consists primarily of consulting and other service revenue and royalty income.

Cost of goods sold ("cost of sales")

Our cost of sales consists principally of the following:

- *Production Materials Costs* . We purchase a significant amount of the materials used in production on a global lowest-cost basis.
- *Employee Costs* . These include the compensation and benefit costs for employees involved in our manufacturing operations. 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 sales 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; and

- fluctuations in foreign exchange rates.

Selling, general and administrative expenses

Our selling, general and administrative expense consists of all expenditures incurred in connection with the sales and marketing of our products, as well as 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.

Research and development expenses

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

Interest expense, net

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

Other (income) expense, net

Other (income) expense, net represents costs incurred, net of income, on various non-operational items including historical management expenses to Carlyle as well as foreign exchange gains and losses and impairment losses on assets that are not part of our core operational activities.

Provision (benefit) 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, the impact of acquisition accounting for the Acquisition and for future acquisitions, 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.

NON-GAAP FINANCIAL MEASURES

Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA

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

EBITDA consists of net income (loss) before interest, taxes, depreciation and amortization. Adjusted EBITDA consists of EBITDA adjusted for (i) non-operating income or expense, (ii) the impact of certain non-cash, nonrecurring or other items that are included in net income and EBITDA that we do not consider indicative of our ongoing operating performance and (iii) certain unusual or nonrecurring items impacting results in a particular period. We believe that making such adjustments provides investors meaningful information to understand our operating results and ability to analyze financial and business trends on a period-to-period basis.

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

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

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

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

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

Table of Contents

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

| (In millions) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|----------|---------------------------|----------|
| | 2015 | 2014 | 2015 | 2014 |
| Net income (loss) | \$ (24.3) | \$ 55.8 | \$ 22.4 | \$ 52.1 |
| Interest expense, net | 49.2 | 54.9 | 99.2 | 113.9 |
| Provision (benefit) for income taxes | 29.5 | (1.3) | 30.7 | 10.7 |
| Depreciation and amortization | 77.5 | 71.8 | 150.1 | 152.9 |
| EBITDA | 131.9 | 181.2 | 302.4 | 329.6 |
| Inventory step-up ^(a) | 0.5 | — | 0.5 | — |
| Financing costs ^(b) | — | — | — | 3.1 |
| Foreign exchange remeasurement losses (gains) ^(c) | 57.8 | (14.6) | 66.5 | (14.5) |
| Long-term employee benefit plan adjustments ^(d) | 0.2 | 2.2 | 0.4 | 4.5 |
| Termination benefits and other employee related costs ^(e) | 14.8 | 2.7 | 18.5 | 5.9 |
| Consulting and advisory fees ^(f) | 6.8 | 7.7 | 9.9 | 20.7 |
| Transition-related costs ^(g) | — | 33.6 | — | 47.5 |
| Secondary offering costs ^(h) | 0.3 | — | 1.7 | — |
| Other adjustments ⁽ⁱ⁾ | 13.2 | 8.2 | 11.1 | 11.0 |
| Dividends in respect of noncontrolling interest ^(j) | (0.6) | (0.7) | (4.1) | (1.6) |
| Management fee expense ^(k) | — | 0.8 | — | 1.6 |
| Asset impairment ^(l) | 30.6 | — | 30.6 | — |
| Adjusted EBITDA | \$ 255.5 | \$ 221.1 | \$ 437.5 | \$ 407.8 |

- (a) During the three and six months ended June 30, 2015, we recorded a non-cash fair value inventory adjustment associated with an acquisition. These amounts increased cost of goods sold by \$0.5 million.
- (b) In connection with an amendment to the Senior Secured Credit Facilities in February 2014, we recognized \$3.1 million of costs during the six months ended June 30, 2014.
- (c) Eliminates foreign exchange gains and losses resulting from the remeasurement of assets and liabilities denominated in foreign currencies.
- (d) Eliminates the non-service cost components of long-term employee benefit costs.
- (e) Represents expenses primarily related to employee termination benefits and other employee-related costs. Termination benefits include the costs associated with our headcount initiatives associated with cost saving opportunities that were related to our transition to a standalone entity and our Axalta Way cost savings initiatives in 2015.
- (f) Represents fees paid to consultants, advisors, and other third-party professional organizations for professional services. Amounts incurred for the three and six months ended June 30, 2015 primarily relate to our Axalta Way cost savings initiatives. Amounts incurred for the three and six months ended June 30, 2014 relate to our transition from DuPont to a standalone entity.
- (g) Represents charges associated with the transition from DuPont to a standalone entity, including branding and marketing, information technology related costs, and facility transition costs.
- (h) Represents costs associated with the offerings of our common shares by Carlyle that closed in April 2015.
- (i) Represents costs for certain unusual or non-operational (gains) and losses, including a \$5.4 million gain recognized during the six months ended June 30, 2015 resulting from the remeasurement of our previously held interest in an equity method investee upon the acquisition of a controlling interest, stock-based compensation, equity investee dividends, indemnity losses associated with the Acquisition, and loss (gain) on sale and disposal of property, plant and equipment.
- (j) Represents the payment of dividends to our joint venture partners by our consolidated entities that are not wholly owned.
- (k) Pursuant to Axalta's management agreement with Carlyle Investment for management and financial advisory services and oversight provided to Axalta and its subsidiaries, Axalta was required to pay an annual management fee of \$3.0 million and out-of-pocket expenses. This agreement terminated upon completion of the IPO in November 2014.

- (1) As a result of the currency devaluation in Venezuela, we evaluated the carrying values of our long-lived assets for impairment and recorded an impairment charge relating to a real estate investment of \$30.6 million . See Note 9 to our Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for more information.

RESULTS OF OPERATIONS

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

Three months ended June 30, 2015 compared to the three months ended June 30, 2014

The following table was derived from the unaudited condensed consolidated statements of operations for the three months ended June 30, 2015 and 2014 included elsewhere in this Quarterly Report on Form 10-Q.

| (In millions) | Three Months Ended June 30, | |
|---|-----------------------------|------------|
| | 2015 | 2014 |
| Net sales | \$ 1,094.1 | \$ 1,126.6 |
| Other revenue | 7.0 | 7.7 |
| Total revenue | 1,101.1 | 1,134.3 |
| Cost of goods sold | 679.7 | 742.5 |
| Selling, general and administrative expenses | 245.5 | 250.6 |
| Research and development expenses | 12.8 | 12.1 |
| Amortization of acquired intangibles | 20.1 | 21.3 |
| Income from operations | 143.0 | 107.8 |
| Interest expense, net | 49.2 | 54.9 |
| Other (income) expense, net | 88.6 | (1.6) |
| Income before income taxes | 5.2 | 54.5 |
| Provision for (benefit) income taxes | 29.5 | (1.3) |
| Net income (loss) | (24.3) | 55.8 |
| Less: Net income attributable to noncontrolling interests | 0.8 | 2.0 |
| Net income (loss) attributable to controlling interests | \$ (25.1) | \$ 53.8 |

Net sales

Net sales decreased \$32.5 million , or 2.9% , to \$1,094.1 million for the three months ended June 30, 2015 , as compared to net sales of \$1,126.6 million for the three months ended June 30, 2014 . Our net sales decrease in the three months ended June 30, 2015 compared to the three months ended June 30, 2014 was primarily attributable to unfavorable impacts of currency exchange, which reduced net sales by 11.1% due to the impact of the weakening Euro and certain currencies within Latin America compared to the U.S. dollar. This net sales decline was partially offset by increases in volumes across all regions and segments, which contributed to net sales growth of 4.8%. Higher average selling prices, primarily in Latin America, also contributed to an increase of 3.4% compared to the three months ended June 30, 2014 .

Other revenue

Other revenue decreased \$0.7 million , or 9.1% , to \$7.0 million for the three months ended June 30, 2015 , as compared to \$7.7 million for the three months ended June 30, 2014 . This decrease in other revenue was primarily related to the impacts of weakening currencies against the U.S. dollar, which caused a \$1.4 million, or 18.2%, decrease in other revenue primarily due to the weakening Euro. These decreases were slightly offset from higher service revenues during the period.

Cost of sales

Cost of sales decreased \$62.8 million , or 8.5% , to \$679.7 million for the three months ended June 30, 2015 compared to \$742.5 million for the three months ended June 30, 2014 . The decrease for the three months ended June 30, 2015 compared to the three months ended June 30, 2014 resulted primarily from the 10% decrease associated with the benefits of currency exchange due to the impact of the weakening Euro and certain currencies within Latin America. The decrease from currency translation was slightly offset by higher volumes of 4.8% as well as the impacts of stock-based compensation resulting primarily from the accelerated vesting of all issued and outstanding stock options issued under the 2013 Plan. Cost of sales as a percentage of net sales decreased from 65.9% for the three months ended June 30, 2014 to 62.1% for the three months ended June 30, 2015 as a result of reductions in costs resulting from our cost savings initiatives as well as lower raw material prices and higher average selling prices.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased \$5.1 million , or 2.0% , to \$245.5 million for the three months ended June 30, 2015 compared to \$250.6 million for the three months ended June 30, 2014 . Selling, general and administrative expenses for the three months ended June 30, 2015 included \$21.9 million of costs related to our 2015 cost savings initiatives as compared to \$26.7 million of costs for the three months ended June 30, 2014 associated with our transition related activities and cost saving initiatives, resulting in a decrease of \$4.8 million over the comparable period. In addition, favorable impacts of currency exchange during the three months ended June 30, 2015 contributed to an 11.0% reduction in selling, general and administrative expenses due to the impact of the weakening Euro and certain currencies within Latin America compared to the U.S. dollar. Offsetting the decrease over comparable periods was an increase of \$6.6 million in stock-based compensation for the three months ended June 30, 2015, resulting primarily from the impact of the accelerated vesting of all outstanding stock options issued under the 2013 Plan. Further offsetting the decrease was the absence of a \$7.7 million gain for the amendment of benefit plan awards during the three months ended June 30, 2014, as well as an increase in selling and administrative costs in 2015 as we focused on opportunities to expand our market presence.

Research and development expenses

Research and development expenses increased \$0.7 million , or 5.8% , to \$12.8 million for the three months ended June 30, 2015 compared to \$12.1 million for the three months ended June 30, 2014 . This increase was a result of additional spend as we focus on developing new and existing products in the market. These increases in spend were partially offset by the impacts of currency exchange, which contributed to a 5.8% decrease in research and development expenses primarily as a result of the weakening Euro compared to the U.S. dollar.

Amortization of acquired intangibles

Amortization of acquired intangibles decreased \$1.2 million , or 5.6% , to \$20.1 million for the three months ended June 30, 2015 compared to \$21.3 million for the three months ended June 30, 2014 . This decrease was a result of the benefit of currency exchange primarily as a result of the weakening Euro compared to the U.S. dollar.

Interest expense, net

Interest expense, net decreased \$5.7 million , or 10.4% , to \$49.2 million for the three months ended June 30, 2015 compared to \$54.9 million for the three months ended June 30, 2014 . The decrease was primarily driven by the impact of the 25 basis point step-down in interest rates in August 2014 on our Term Loans resulting from a reduction in our leverage ratio, as well as reductions in principal balances throughout 2014, including the \$100.0 million prepayment on our New Dollar Term Loan made on September 30, 2014. Further contributing to the net decrease for the three months ended June 30, 2015 was the impact of the weakening Euro against the U.S. dollar.

Other (income) expense, net

Other expense, net increased \$90.2 million from income of \$1.6 million for the three months ended June 30, 2014 to expense of \$88.6 million for the three months ended June 30, 2015 . Within other (income) expense, net, exchange losses were \$57.8 million during the three months ended June 30, 2015 as compared to exchange gains of \$14.6 million for the three months ended June 30, 2014 , resulting in an increase in expense of \$72.4 million.

The primary driver of the exchange losses for the three months ended June 30, 2015 was a \$53.2 million loss resulting from the revaluation of our Venezuelan subsidiary's net monetary assets at the June 30, 2015 SIMADI currency exchange rate of 197.7 Venezuelan bolivars to 1.0 U.S. dollar. At June 30, 2015, we determined that that using the SIMADI exchange rate of 197.7 Venezuelan bolivars to 1.0 U.S. dollar, rather than the previously used SICAD I rate of 12.0 Venezuelan bolivars to 1.0 U.S. dollar, was the appropriate method of valuation based on the culmination of the relevant facts and circumstances, including our expectation that future dividend remittances would be made at this rate. This exchange loss for the three months ended June 30, 2015 is compared to the \$12.2 million gain recognized for the three months ended June 30, 2014 resulting from the revaluation of the Venezuelan subsidiary's net monetary liabilities resulting from the change in exchange rate from the official CENCOEX rate of 6.3 Venezuelan bolivars to 1.0 U.S. dollar to the SICAD I rate of 10.0 Venezuelan bolivars to 1.0 U.S. dollar in June 2014. The change over comparable periods resulting from the revaluations was an increase in exchange losses, net of \$65.4 million.

In addition to the Venezuelan net exchange losses, we incurred \$25.0 million in losses on our Euro borrowings during the three months ended June 30, 2015 as compared to \$6.4 million in losses on our Euro borrowings during the three months ended June 30, 2014. These losses were partially offset by a \$20.4 million gain primarily related to the remeasurement of intercompany transactions denominated in currencies different from the functional currency of the relevant subsidiary during the three months ended June 30, 2015 , compared to an \$8.8 million gain during the three months ended June 30, 2014.

Further contributing to the loss during the current period was the impairment charge recorded during the three months ended June 30, 2015 of \$30.6 million resulting from our evaluation of the carrying value associated with our real estate investment in Venezuela.

Offsetting the increase in losses over the comparable periods was the release of an indemnity receivable in June 2014 that had initially been recorded in conjunction with our tax indemnities from the Acquisition. This resulted in \$12.3 million of expense relating to an uncertain tax position that was reversed during the three months ended June 30, 2014 compared to the \$0.6 million loss for the three months ended June 30, 2015.

Provision (benefit) for income taxes

We recorded a provision for income taxes of \$29.5 million for the three months ended June 30, 2015 , which represents a 567.3% effective tax rate in relation to the income before income taxes of \$5.2 million . The effective tax rate for the three months ended June 30, 2015 differs from the U.S. Federal statutory rate by 532.3% , which is primarily the result of non-deductible pre-tax expenses. Non-deductible expenses and interest, as well as currency exchange losses, resulted in a negative impact to our provision for income taxes of \$5.0 million and \$7.3 million, respectively. In addition, our pre-tax impairment charge in Venezuela of \$30.6 million had an unfavorable \$10.7 million impact on the effective rate as it was non-deductible.

We recorded a benefit for income taxes of \$1.3 million for the three months ended June 30, 2014 , which represents a 2.4% negative effective tax rate in relation to the income before income taxes of \$54.5 million . The effective tax rate for the three months ended June 30, 2014 differs from the U.S. Federal statutory rate by 37.4% , which is the result of various items that impacted the effective rate both favorably and unfavorably. We recorded favorable adjustments related to prior year tax positions of \$21.1 million, as well as \$9.1 million related to earnings in jurisdictions where the rate is lower than the U.S. Federal statutory rate. These adjustments were partially offset by the unfavorable impact of pre-tax losses in jurisdictions where a tax benefit is not expected to be realized of \$7.4 million and \$8.7 million related to non-deductible expenses and withholding tax expense.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014

The following table was derived from the interim unaudited condensed consolidated statements of operations for the six months ended June 30, 2015 and 2014 included elsewhere in this Quarterly Report on Form 10-Q.

| (In millions) | Six Months Ended June 30, | |
|---|---------------------------|------------|
| | 2015 | 2014 |
| Net sales | \$ 2,083.3 | \$ 2,174.0 |
| Other revenue | 15.3 | 14.7 |
| Total revenue | 2,098.6 | 2,188.7 |
| Cost of goods sold | 1,329.5 | 1,446.0 |
| Selling, general and administrative expenses | 458.5 | 497.3 |
| Research and development expenses | 25.7 | 23.4 |
| Amortization of acquired intangibles | 40.1 | 42.4 |
| Income from operations | 244.8 | 179.6 |
| Interest expense, net | 99.2 | 113.9 |
| Other expense, net | 92.5 | 2.9 |
| Income before income taxes | 53.1 | 62.8 |
| Provision for income taxes | 30.7 | 10.7 |
| Net income | 22.4 | 52.1 |
| Less: Net income attributable to noncontrolling interests | 2.4 | 2.6 |
| Net income attributable to controlling interests | \$ 20.0 | \$ 49.5 |

Net sales

Net sales decreased \$90.7 million , or 4.2% , to \$2,083.3 million for the six months ended June 30, 2015 , as compared to net sales of \$2,174.0 million for the six months ended June 30, 2014 . Our net sales decrease d for the six months ended June 30, 2015 compared to the six months ended June 30, 2014 was primarily attributable to unfavorable impacts of currency exchange, which reduced net sales by 10.9% due to the impact of the weakening Euro and certain currencies within Latin America compared to the U.S. dollar. This net sales decline was partially offset by increases in volumes primarily in Asia Pacific, North America, and Latin America, which contributed to net sales growth of 4.8%. Higher average selling prices, primarily in Latin America, also contributed to an increase of 1.9% compared to the six months ended June 30, 2014 .

Other revenue

Other revenue increased \$0.6 million , or 4.1% , to \$15.3 million for the six months ended June 30, 2015 , as compared to \$14.7 million for the six months ended June 30, 2014 . The increase primarily related to an increase in royalty revenues within North America. This increase in other revenue was partially offset by the impacts of weakening currencies against the U.S. dollar, which caused a 14.3% decrease in other revenue primarily due to the weakening Euro.

Cost of sales

Cost of sales decreased \$116.5 million , or 8.1% , to \$1,329.5 million for the six months ended June 30, 2015 compared to \$1,446.0 million for the six months ended June 30, 2014 . The decrease for the six months ended June 30, 2015 compared to the six months ended June 30, 2014 resulted primarily from a 9.8% decrease associated with currency exchange due to the impact of the weakening Euro and certain currencies within Latin America. The decrease from currency translation was slightly offset by higher volumes of 4.8% as well as the impacts of stock-based compensation resulting primarily from the accelerated vesting of all issued and outstanding stock options issued under the 2013 Plan. Cost of sales as a percentage of net sales decreased from 66.5% for the six months ended June 30, 2014 to 63.8% for the six months ended June 30, 2015 as a result of reductions in costs resulting from our cost savings initiatives as well as lower raw material prices and higher average selling prices.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased \$38.8 million , or 7.8% , to \$458.5 million for the six months ended June 30, 2015 compared to \$497.3 million for the six months ended June 30, 2014 . Selling, general and administrative expenses for the six months ended June 30, 2015 included \$30.1 million of costs related to our 2015 cost savings initiatives as compared to \$56.8 million of costs for the six months ended June 30, 2014 associated with our transition related activities and cost saving initiatives, resulting in a decrease of \$26.7 million over the comparable period. In addition, favorable impacts of currency exchange during the six months ended June 30, 2015 contributed to a 10.3% reduction in selling, general and administrative expenses due to the impact of the weakening Euro and certain currencies within Latin America compared to the U.S. dollar. Offsetting the decrease over comparable periods was an increase of \$6.6 million in stock-based compensation for the six months ended June 30, 2015, resulting primarily from the impact of the accelerated vesting of all outstanding stock options issued under the 2013 Plan, as well as the impact of equity incentive awards issued in 2015. Further offsetting the decrease was the absence of a \$7.7 million gain for the amendment of benefit plan awards during the six months ended June 30, 2014, as well as an increase in selling and administrative costs in 2015 as we focused on opportunities to expand our market presence.

Research and development expenses

Research and development expenses increased \$2.3 million , or 9.8% , to \$25.7 million for the six months ended June 30, 2015 compared to \$23.4 million for the six months ended June 30, 2014 . This increase was a result of additional spend as we focus on developing new and existing products in the market. These increases in spend were partially offset by the impacts of currency exchange, which contributed to a 6.4% decrease in research and development expenses primarily as a result of the weakening Euro compared to the U.S. dollar.

Amortization of acquired intangibles

Amortization of acquired intangibles decreased \$2.3 million , or 5.4% , to \$ 40.1 million for the six months ended June 30, 2015 compared to \$42.4 million for the six months ended June 30, 2014 . This decrease was a result of the benefit of currency exchange primarily as a result of the weakening Euro compared to the U.S. dollar.

Interest expense, net

Interest expense, net decreased \$14.7 million , or 12.9% , to \$99.2 million for the six months ended June 30, 2015 compared to \$113.9 million for the six months ended June 30, 2014 . Interest expense, net for the six months ended June 30, 2015 reflects a full six months of interest costs after the refinancing of our Term Loans in February of 2014. Interest expense, net for the six months ended June 30, 2014 reflects one month of interest expense associated with our original debt financing for the Acquisition and five months of interest expense based on the refinancing of our Term Loans. Additionally, the six months ended June 30, 2015 included the impact of the 25 basis point step-down in interest rates in August 2014 on our Term Loans resulting from a reduction in our leverage ratio, as well as reductions in principal balances throughout 2014 and 2015, including the \$100.0 million prepayment on our New Dollar Term Loan made on September 30, 2014. Further contributing to the net decrease for the six months ended June 30, 2015 was the impact of the weakening Euro against the U.S. dollar.

Other expense, net

Other expense, net increased \$89.6 million to \$92.5 million for the six months ended June 30, 2015 compared to \$2.9 million for the six months ended June 30, 2014 . Within other expense, net, exchange losses were \$66.5 million during the six months ended June 30, 2015 as compared to exchange gains of \$14.5 million for the six months ended June 30, 2014 , resulting in an increase in expense of \$81.0 million.

The primary driver of the exchange losses for the six months ended June 30, 2015 was the \$53.2 million loss resulting from the revaluation of our Venezuelan subsidiary's net monetary assets at the June 30, 2015 SIMADI currency exchange rate of 197.7 Venezuelan bolivars to 1.0 U.S. dollar. At June 30, 2015, we determined that that using the SIMADI exchange rate of 197.7 Venezuelan bolivars to 1.0 U.S. dollar, rather than the previously used SICAD I rate of 12.0 Venezuelan bolivars to 1.0 U.S. dollar, was the most appropriate exchange rate based on the culmination of the relevant facts and circumstances, including the expectation that future dividend remittances would be made at this rate. This exchange loss for the six months ended June 30, 2015 is compared to the \$12.2 million gain recognized for the six months ended June 30, 2014 resulting from the revaluation of the Venezuelan subsidiary's net monetary liabilities resulting from the change in exchange rate from the official CENCOEX rate of 6.3 Venezuelan bolivars to 1.0 U.S. dollar to the SICAD I rate of 10.0 Venezuelan bolivars to 1.0 U.S. dollar in June 2014. The change over comparable periods resulting from the revaluations was an increase in exchange losses, net of \$65.4 million.

Offsetting the increase in the Venezuelan net exchange losses were net exchange gains of \$64.8 million on our Euro borrowings during the six months ended June 30, 2015 as compared to \$11.8 million in gains for the six months ended June 30, 2014. The remaining net exchange losses during the six months ended June 30, 2015 of \$78.1 million primarily related to the remeasurement of intercompany transactions denominated in currencies different from the functional currency of the relevant subsidiary, compared to \$9.5 million of exchange losses for the six months ended June 30, 2014 .

Further contributing to the loss during the current period was the impairment charge recorded during the six months ended June 30, 2015 of \$30.6 million resulting from our evaluation of the carrying value associated with our real estate investment in Venezuela.

Offsetting the increase in losses over the comparable periods was the release of an indemnity receivable in June 2014 that had initially been recorded in conjunction with our tax indemnities from the Acquisition. This resulted in \$12.3 million of expense relating to an uncertain tax position that was reversed during the six months ended June 30, 2014 compared to the \$4.3 million loss for the six months ended June 30, 2015. In addition, during the six months ended June 30, 2014 we recognized debt modification fees of \$3.1 million relating to the refinancing of our Term Loans in February of 2014.

Further offsetting the increase, during the six months ended June 30, 2015 , we entered into an agreement with one of our joint venture partners to acquire a controlling interest in an investment previously accounted for as an equity method investment. As a result of the acquisition of a controlling interest in the investment, we recognized a gain of \$5.4 million on the remeasurement of our previously held equity interest as of the acquisition date, resulting in a net decrease in other expense compared to the six months ended June 30, 2014 .

Provision for income taxes

We recorded a provision for income taxes of \$30.7 million for the six months ended June 30, 2015 , which represents a 57.8% effective tax rate in relation to the income before income taxes of \$53.1 million . The effective tax rate for the six months ended June 30, 2015 differs from the U.S. Federal statutory rate by 22.8% , which is the result of various items that impacted the effective rate both favorably and unfavorably. We recorded favorable adjustments for earnings in jurisdictions where the statutory rate is lower than the U.S. Federal statutory rate of \$7.5 million , as well as \$9.3 million associated with currency exchange losses. These adjustments were offset by our pre-tax impairment charge in Venezuela of \$30.6 million which had an unfavorable \$10.7 million impact on the effective rate as it was non-deductible, the unfavorable impact of pre-tax losses in jurisdictions where a tax benefit is not expected to be realized of \$6.1 million , and non-deductible expenses and interest of \$11.5 million .

We recorded a provision for income taxes of \$10.7 million for the six months ended June 30, 2014 , which represents a 17.0% effective tax rate in relation to the income before income taxes of \$62.8 million . The effective tax rate for the six months ended June 30, 2014 differs from the U.S. Federal statutory rate by 18.0% , which is the result of various items that impacted the effective rate both favorably and unfavorably. We recorded favorable adjustments related to prior year tax positions of \$21.1 million, as well as \$17.4 million related to earnings in jurisdictions where the statutory tax rate was lower than the U.S. Federal statutory rate. These adjustments were partially offset by the unfavorable impact of pre-tax losses in jurisdictions where a tax benefit is not expected to be realized of \$13.0 million \$18.1 million related to nondeductible expenses and withholding tax expense.

SEGMENT RESULTS

Three months ended June 30, 2015 compared to the three months ended June 30, 2014

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

| (In millions) | Three Months Ended June 30, | |
|--------------------------------|-----------------------------|------------|
| | 2015 | 2014 |
| Net Sales | | |
| Performance Coatings | \$ 638.8 | \$ 665.0 |
| Transportation Coatings | 455.3 | 461.6 |
| Total | \$ 1,094.1 | \$ 1,126.6 |
| Segment Adjusted EBITDA | | |
| Performance Coatings | \$ 162.1 | \$ 136.7 |
| Transportation Coatings | 93.4 | 84.4 |
| Total | \$ 255.5 | \$ 221.1 |

Performance Coatings Segment

Net sales decreased \$26.2 million , or 3.9% , to \$638.8 million for the three months ended June 30, 2015 compared to net sales of \$665.0 million for the three months ended June 30, 2014 . The decrease in net sales in the three months ended June 30, 2015 was primarily a result of unfavorable impacts of currency exchange, which contributed to an approximately 12.1% reduction in net sales. Currency exchange was impacted by the weakening Euro and certain currencies within Latin America compared to the U.S. dollar. This net sales decrease was partially offset by increases in average selling prices, primarily in Latin America, which contributed to an increase of 6.2% compared to the three months ended June 30, 2014 . Further offsetting this decrease was an increase in volumes across all regions, which contributed to net sales growth of 2.0% .

Adjusted EBITDA increased \$25.4 million , or 18.6% , to \$162.1 million for the three months ended June 30, 2015 compared to Adjusted EBITDA of \$136.7 million for the three months ended June 30, 2014 . The increase in Adjusted EBITDA for the three months ended June 30, 2015 was driven by an increase in average selling price, primarily within Latin America's refinish end-market. This increase was offset by unfavorable impacts of the weakening Euro and certain currencies within Latin America compared to the U.S. dollar.

Transportation Coatings Segment

Net sales decreased \$6.3 million , or 1.4% , to \$455.3 million for the three months ended June 30, 2015 compared to net sales of \$461.6 million for the three months ended June 30, 2014 . The decrease in net sales for the three months ended June 30, 2015 was driven by unfavorable impacts of currency exchange, which contributed to an approximately 9.5% reduction in net sales resulting primarily from the impacts of the weakening Euro and certain currencies within Latin America compared to the U.S. dollar. The decrease in net sales was partially offset by volume increases across all regions, which contributed to a net sales increase of 8.8% .

Adjusted EBITDA increased \$9.0 million , or 10.7% , to \$93.4 million for the three months ended June 30, 2015 compared to Adjusted EBITDA of \$84.4 million for the three months ended June 30, 2014 . The increase in Adjusted EBITDA in the three months ended June 30, 2015 was driven by higher volumes and lower variable costs, which were offset by higher fixed costs associated with support of our volume growth within the Light Vehicle and Commercial Vehicle end-markets, and unfavorable impacts of the weakening Euro and certain currencies within Latin America compared to the U.S. dollar.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014

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

| (In millions) | Six Months Ended June 30, | |
|--------------------------------|---------------------------|------------|
| | 2015 | 2014 |
| Net Sales | | |
| Performance Coatings | \$ 1,196.0 | \$ 1,281.1 |
| Transportation Coatings | 887.3 | 892.9 |
| Total | \$ 2,083.3 | \$ 2,174.0 |
| Segment Adjusted EBITDA | | |
| Performance Coatings | \$ 269.2 | \$ 261.2 |
| Transportation Coatings | 168.3 | 146.6 |
| Total | \$ 437.5 | \$ 407.8 |

Performance Coatings Segment

Net sales decreased \$85.1 million , or 6.6% , to \$1,196.0 million for the six months ended June 30, 2015 compared to net sales of \$1,281.1 million for the six months ended June 30, 2014 . The decrease in net sales for the six months ended June 30, 2015 was a result of unfavorable impacts of currency exchange, which contributed to an approximately 12.1% reduction in net sales. Currency exchange was impacted by the weakening Euro and certain currencies within Latin America compared to the U.S. dollar. The decrease in net sales was partially offset by increases in average selling price, primarily through Latin America's refinish business, which contributed to an increase of 3.5%. Further offsetting this decrease was an increase in volume across all regions, which contributed to a net sales increase of 2.0%.

Adjusted EBITDA increased \$8.0 million , or 3.1% , to \$269.2 million for the six months ended June 30, 2015 compared to Adjusted EBITDA of \$261.2 million for the six months ended June 30, 2014 . The increase in Adjusted EBITDA in the six months ended June 30, 2015 was primarily driven by higher average selling prices and lower variable costs, which were offset by higher fixed costs associated with support of our volume growth within our Refinish and Industrial end-markets, and unfavorable impacts of the weakening Euro and certain currencies within Latin America compared to the U.S. dollar. Additionally, dividends from our consolidated joint ventures to our noncontrolling partners negatively impacted Adjusted EBITDA by \$3.1 million for the six months ended June 30, 2015 as compared to \$0.0 million for the six months ended June 30, 2014 .

Transportation Coatings Segment

Net sales decreased \$5.6 million , or 0.6% , to \$887.3 million for the six months ended June 30, 2015 compared to net sales of \$892.9 million for the six months ended June 30, 2014 . The decrease in net sales for the six months ended June 30, 2015 was primarily driven by unfavorable impacts of currency exchange, which contributed to an approximately 9.2% reduction in net sales resulting primarily from the impacts of the weakening Euro and certain currencies within Latin America compared to the U.S. dollar. Further contributing to the decline in net sales was a decrease in average selling prices in Asia, North America and Europe, slightly offset by increases in average selling price in Latin America for an overall decrease in net sales of 0.3%. The decrease in net sales was partially offset by volume increases within Asia and North America, which contributed to a net sales increase of 8.9%.

Adjusted EBITDA increased \$21.7 million , or 14.8% , to \$168.3 million for the six months ended June 30, 2015 compared to Adjusted EBITDA of \$146.6 million for the six months ended June 30, 2014 . The increase in Adjusted EBITDA in the six months ended June 30, 2015 was driven by higher volumes and lower variable costs, which were offset by higher fixed costs associated with support of our volume growth within the Light Vehicle and Commercial Vehicle end-markets, and unfavorable impacts of the weakening Euro and certain currencies within Latin America compared to the U.S. dollar.

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 June 30, 2015, availability under the Revolving Credit Facility was \$379.0 million, net of the letters of credit issued which reduced the availability under the Revolving Credit Facility by \$21.0 million. All such availability may be utilized without violating any covenants under the credit agreement governing the Revolving Credit Facility or the indentures governing the Dollar Senior Notes and the Euro Senior Notes. At June 30, 2015, we also had \$2.0 million in borrowings under other lines of credit.

We or our affiliates, at any time and from time to time, may purchase the Dollar Senior Notes, the Euro 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 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.

Our operations in Venezuela are subject to foreign exchange and price controls which have historically limited our ability to convert Venezuelan bolivars to U.S. dollars and transfer funds out of Venezuela. Approximately 0.9% and 5.5% of the consolidated cash and cash equivalents as of June 30, 2015 and December 31, 2014, respectively, were held in Venezuela. In Venezuela, government restrictions on the transfer of cash out of the country have limited our ability to repatriate cash. We do not consider the net assets of Venezuela to be integral to our ability to service our debt and operational requirements.

Cash Flows

Six months ended June 30, 2015 and 2014

| (In millions) | Six Months Ended June 30, | |
|---|---------------------------|------------|
| | 2015 | 2014 |
| Net cash provided by (used in): | | |
| Operating activities: | | |
| Net income | \$ 22.4 | \$ 52.1 |
| Depreciation and amortization | 150.1 | 152.9 |
| Deferred income taxes | (7.1) | (14.1) |
| Unrealized loss on derivatives | 1.3 | 3.8 |
| Amortization of financing costs and original issue discount | 10.2 | 10.3 |
| Foreign exchange (gains)/losses | 66.5 | (19.2) |
| Asset impairment | 30.6 | — |
| Other non-cash items | 16.5 | (0.6) |
| Net income adjusted for non-cash items | 290.5 | 185.2 |
| Changes in operating assets and liabilities | (285.5) | (171.5) |
| Operating activities | 5.0 | 13.7 |
| Investing activities | (56.9) | (102.8) |
| Financing activities | 23.4 | (12.2) |
| Effect of exchange rate changes on cash | (45.8) | (7.7) |
| Net decrease in cash and cash equivalents | \$ (74.3) | \$ (109.0) |

Six months ended June 30, 2015

Net Cash Provided by Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2015 was \$5.0 million. Net income before deducting depreciation, amortization and other non-cash items generated cash of \$290.5 million. This was partially offset by net increases in working capital of \$285.5 million. The most significant drivers in working capital were increases in trade receivables, inventory and other assets of \$212.0 million due to the seasonal timing of sales during the six months ended June 30, 2015 and increased inventory builds to support ongoing operational demands. Increases of other accrued liabilities of \$42.0 million related to payments of normal operating activities, timing of cash payments for annual employee performance related benefits, as well as restructuring costs and transition-related costs incurred during 2014 and 2015.

Table of Contents

Net Cash Used in Investing Activities

Net cash used in investing activities for the six months ended June 30, 2015 was \$56.9 million . This use was substantially driven by purchases of property, plant and equipment of \$56.6 million and the acquisition of a controlling interest in an investment affiliate of \$3.1 million (net of cash received), partially offset by a decrease of \$1.9 million in restricted cash.

Net Cash Provided by Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2015 was \$23.4 million . The change was substantially driven by cash received from stock options exercised of \$ 45.2 million , the recognition of a tax windfall benefit of \$ 6.7 million due to stock options exercised within the quarter, and by proceeds received from short-term borrowings during the period of \$3.1 million . These are offset by repayments of short-term borrowings and Term Loans of \$13.7 million and \$13.6 million , respectively, as well as dividends paid to noncontrolling interests of \$4.1 million for the six months ended June 30, 2015 .

Other Impacts on Cash

Exchange impacts on cash for the six months ended June 30, 2015 were \$45.8 million primarily driven by the impacts on cash resulting from the change in our translation rates for our Venezuelan subsidiary which contributed \$37.4 million.

Six months ended June 30, 2014

Net Cash Provided by Operating Activities

Net cash provided by operating activities was \$13.7 million for the six months ended June 30, 2014 . Net income before deducting depreciation, amortization and other non-cash items generated cash of \$185.2 million . This was substantially offset by net increases in working capital of \$171.5 million . The most significant drivers in working capital were increases in receivables and inventory of \$112.3 million and \$24.3 million respectively, due primarily to increased sales compared to seasonally lower sales in the month of December and inventory builds in anticipation of certain information technology transition projects and to support ongoing operational demands compared to December 2013, as well as reductions of other accrued liabilities of \$47.6 million primarily related to annual compensation payments, nonrecurring transition costs and semi-annual interest payments associated with our Senior Notes.

Net Cash Used in Investing Activities

Purchases of property, plant and equipment during the six months ending June 30, 2014 , were \$100.8 million , which included capital costs related to our transition to a standalone entity, which included costs to transition off of the DuPont information technology systems.

During the six months ended June 30, 2014 , we also had a \$1.9 million increase in restricted cash.

Net Cash Used in Financing Activities

Net cash used in financing activities for the six months ended June 30, 2014 was \$12.2 million . The change was primarily driven by \$17.2 million of payments on short-term borrowings and \$7.1 million of payments on term loans partially offset by \$16.7 million of proceeds received from short-term borrowings during the period.

During the six months ended June 30, 2014 , we paid \$3.0 million in fees related to the amendment of the Senior Secured Credit Facilities. Dividends paid to noncontrolling interests totaled \$1.6 million for the six months ended June 30, 2014 .

Financial Condition

We had cash and cash equivalents at June 30, 2015 and December 31, 2014 of \$307.8 million and \$382.1 million , respectively. Of these balances, \$240.3 million and \$264.2 million were maintained in non-U.S. jurisdictions as of June 30, 2015 and December 31, 2014 , 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 primary sources of liquidity are cash on hand, cash flow from operations and available borrowing capacity under our Revolving Credit Facility. 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 the transition-related costs and cost-savings 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.

Table of Contents

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 end of the periods indicated:

| (In millions) | June 30, 2015 | December 31, 2014 |
|---|-------------------|-------------------|
| Dollar Term Loan | \$ 2,154.0 | \$ 2,165.5 |
| Euro Term Loan | 439.2 | 481.0 |
| Dollar Senior Notes | 750.0 | 750.0 |
| Euro Senior Notes | 280.1 | 305.3 |
| Short-term and other borrowings | 27.4 | 12.9 |
| Unamortized original issue discount | (16.4) | (18.3) |
| Deferred financing costs, net | (75.0) | (82.1) |
| | <u>\$ 3,559.3</u> | <u>\$ 3,614.3</u> |
| Less: | | |
| Short term borrowings | 23.2 | 12.2 |
| Current portion of long-term borrowings | 27.5 | 27.9 |
| Long-term debt | <u>\$ 3,508.6</u> | <u>\$ 3,574.2</u> |

Our indebtedness, including the Senior Secured Credit Facilities and Senior Notes, is more fully described in Note 15 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Our liquidity requirements are significant due to the highly leveraged nature of our company as well as our working capital requirements. At June 30, 2015 and December 31, 2014, there were no borrowings under the Revolving Credit Facility with total availability under the Revolving Credit Facility of \$379.0 million and \$384.5 million, 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 Dollar Senior Notes and the Euro Senior Notes.

Contractual Obligations

Information related to our contractual obligations can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. There have been no material changes in the Company's contractual obligations since December 31, 2014.

Scheduled Maturities

Below is a schedule of required future repayments of all borrowings outstanding at June 30, 2015.

| (In millions) | |
|-------------------|-------------------|
| Remainder of 2015 | \$ 19.6 |
| 2016 | 36.7 |
| 2017 | 29.6 |
| 2018 | 28.4 |
| 2019 | 27.7 |
| Thereafter | 3,500.2 |
| Total | <u>\$ 3,642.2</u> |

Off-Balance Sheet Arrangements

We directly guarantee certain obligations under agreements with third parties. At June 30, 2015 and December 31, 2014, we had directly guaranteed \$2.2 million of such obligations. These guarantees represent the maximum potential amount of future (undiscounted) payments that we could be required to make under the guarantees in the event of default by the guaranteed parties. No amounts were accrued at June 30, 2015 and December 31, 2014.

No other off-balance sheet arrangements existed as of June 30, 2015 and December 31, 2014.

Recent Accounting Guidance

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies are those accounting policies that can have a significant impact on the presentation of our financial condition and results of operations, and that require the use of complex and subjective estimates based upon past experience and management’s judgment. Because of the uncertainty inherent in such estimates, actual results may differ materially from these estimates. The policies applied in preparing our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q are those that management believes are the most dependent on estimates and assumptions. There have been no material changes to our critical accounting policies and estimates previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014. For a description of our critical accounting policies and estimates as well as a listing of our significant accounting policies, see “Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates” and “Note 3 - Summary of Significant Accounting Policies” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 .

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the market risks previously disclosed in our financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting

There were no changes in the Company's internal control over financial reporting that occurred during the three months ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are from time to time party to legal proceedings that arise in the ordinary course of business. We are not involved in any litigation other than that which has arisen in the ordinary course of business. We do not expect that any currently pending lawsuits will have a material effect on us.

ITEM 1A. RISK FACTORS

Except for as set forth below, there have been no material changes in our risk factors from the risks previously reported in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014.

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 71% of our net sales for the six months ended June 30, 2015 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, including our Venezuelan 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. Our international operations also present risks associated with terrorism, political hostilities, war and other civil disturbances, the occurrence of which could lead to reduced net sales and profitability. Our international sales and operations are also sensitive to changes in foreign national priorities, including government budgets.

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

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

Since December 2014, we have utilized Venezuela's Complementary System of Foreign Currency Administration ("SICAD I") to translate our Venezuelan subsidiary's financial statements into US dollars. As a result of the continued challenging economic conditions in Venezuela, we have re-evaluated the exchange rate used for our Venezuela subsidiary's operations, including the impact on our non-US dollar denominated monetary and non-monetary assets and liabilities. We believe that the equity of our Venezuelan subsidiary would be realized through a dividend utilizing the Marginal Foreign Exchange System ("SIMADI") exchange mechanism due to the current illiquidity of SICAD I. Accordingly, as of June 30, 2015, we changed our foreign exchange rate to SIMADI, which currently approximates 197.7 Venezuelan bolivars to 1.0 U.S. dollar. The SIMADI rate compares to the SICAD I rate of 12.0 Venezuelan bolivars to 1.0 U.S. dollar. See further discussion in Note 9 to our unaudited condensed consolidated Financial Statements contained elsewhere in this Quarterly Report on Form 10-Q.

Our results of operations and/or financial condition could be adversely impacted, possibly materially, if we are unable to successfully manage these and other risks of international operations in a volatile environment.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

See the Exhibit Index for the exhibits filed with this Quarterly Report on Form 10-Q or incorporated by reference.

SIGNATURES

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

AXALTA COATING SYSTEMS LTD.

Date: August 4, 2015

By: /s/ Charles W. Shaver

Charles W. Shaver

Chairman of the Board and Chief Executive Officer

Date: August 4, 2015

By: /s/ Robert W. Bryant

Robert W. Bryant

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

Date: August 4, 2015

By: /s/ Sean M. Lannon

Sean M. Lannon

Vice President and Global Controller

(Principal Accounting Officer)

EXHIBIT INDEX

| EXHIBIT NO. | DESCRIPTION OF EXHIBITS |
|--------------------|---|
| 10.63* | Registration Rights Agreement by and among Axalta Coating Systems Ltd. and Government Employees Insurance Company, dated April 8, 2015 (incorporated by reference to Exhibit 1.1 of the Registrant's Current Report on Form 8-K (File No. 001-36733) filed with the SEC on April 9, 2015) |
| 31.1 | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1†† | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2†† | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101† | INS - XBRL Instance Document |
| 101† | SCH - XBRL Taxonomy Extension Schema Document |
| 101† | CAL - XBRL Taxonomy Extension Calculation Linkbase Document |
| 101† | DEF - XBRL Taxonomy Extension Definition Linkbase Document |
| 101† | LAB - XBRL Taxonomy Extension Label Linkbase Document |
| 101† | PRE - XBRL Taxonomy Extension Presentation Linkbase Document |
| * | Previously filed. |
| † | In accordance with Rule 406T of Regulation S-T, the information in these exhibits is furnished and deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Exchange Act of 1934, and otherwise is not subject to liability under these sections. |
| †† | This certificate is being furnished solely to accompany the report pursuant to 18 U.S.C. Section 1350 and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. |

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Robert W. Bryant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Axalta Coating Systems Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) 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
 - (c) 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: August 4, 2015

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

