



# Axalta Investor Presentation

June 3, 2015

# Notice Regarding Forward Looking Statements, Non-GAAP Financial Measures and Defined Terms



## Forward-Looking Statements

This presentation and the oral remarks made in connection herewith may contain “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, including those relating to 2015 net sales, Adjusted EBITDA, tax rate, capital expenditures, plant expansions and net working capital. Any forward-looking statements involve risks, uncertainties and assumptions. These statements often include words such as “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “target,” “project,” “forecast,” “seek,” “will,” “may,” “should,” “could,” “would,” or similar expressions. These statements are based on certain assumptions that we have made in light of our experience in the industry and our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances as of the date hereof. Although we believe that the assumptions and analysis underlying these statements are reasonable as of the date hereof, investors are cautioned not to place undue reliance on these statements. We do not have any obligation to and do not intend to update any forward-looking statements included herein, which speak only as of the date hereof. You should understand that these statements are not guarantees of future performance or results. Actual results could differ materially from those described in any forward-looking statements contained herein or the oral remarks made in connection herewith as a result of a variety of factors, including known and unknown risks and uncertainties, many of which are beyond our control.

## Non-GAAP Financial Measures

The historical financial information included in this presentation includes financial information that is not presented in accordance with generally accepted accounting principles in the United States (“GAAP”), including EBITDA, Adjusted EBITDA and Net Debt. Management uses these non-GAAP financial measures in the analysis of our financial and operating performance because they assist in the evaluation of underlying trends in our business. Our use of the terms EBITDA, Adjusted EBITDA and Net Debt may differ from that of others in our industry. EBITDA and Adjusted EBITDA should not be considered as alternatives to net income (loss), operating income or any other performance measures derived in accordance with GAAP as measures of operating performance or operating cash flows or as measures of liquidity. EBITDA, Adjusted EBITDA and Net Debt have important limitations as analytical tools and should be considered in conjunction with, and not as substitutes for, our results as reported under GAAP. This presentation includes a reconciliation of certain non-GAAP financial measures with the most directly comparable financial measures calculated in accordance with GAAP.

## Defined Terms

All capitalized terms contained within this presentation have been previously defined in our filings with the United States Securities and Exchange Commission.

# Axalta – A Global Leader in Coatings



Net Sales<sup>1</sup> \$4,362 million  
Adjusted EBITDA<sup>1,2</sup> \$841 million  
Adjusted EBITDA Margin<sup>2</sup> 19.3%

## Segments

### Performance Coatings

59% of Net Sales  
21% Adjusted EBITDA Margin

#### Refinish

Net Sales: \$1,851 million  
(42% of Net Sales)

#### Body Shops



#### Industrial

Net Sales: \$734 million  
(17% of Net Sales)

#### Electrical Insulation, Architectural, General Industrial



### Transportation Coatings

41% of Net Sales  
16% Adjusted EBITDA Margin

#### Light Vehicle

Net Sales: \$1,385 million  
(32% of Net Sales)

#### Light Vehicle / Automotive OEMs



#### Commercial Vehicle

Net Sales: \$392 million  
(9% of Net Sales)

#### Heavy Duty Truck, Bus, Rail, Agriculture & Construction OEMs



## End-Markets

## Focus Areas

## Key Customers

1. Financials for FY 2014.  
2. Adjusted EBITDA reconciliation can be found in the Appendix of this presentation.

# Investment Highlights



**1** Global Market Leader in an Attractive Industry

**2** Sustainable Competitive Advantages

**3** Technology Leader

**4** Profitable Growth Initiatives

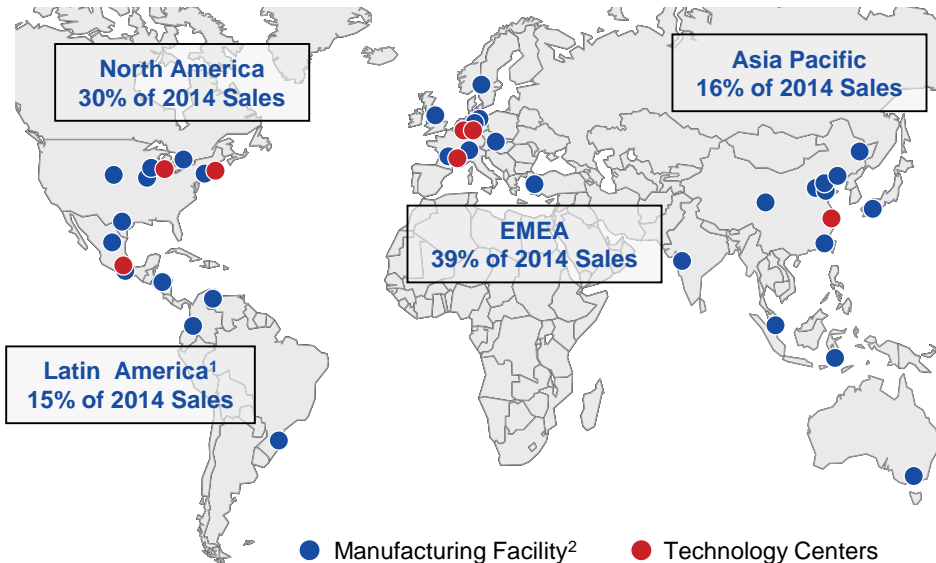
**5** Strong Financial Profile



# 1 Global Market Leader in an Attractive Industry



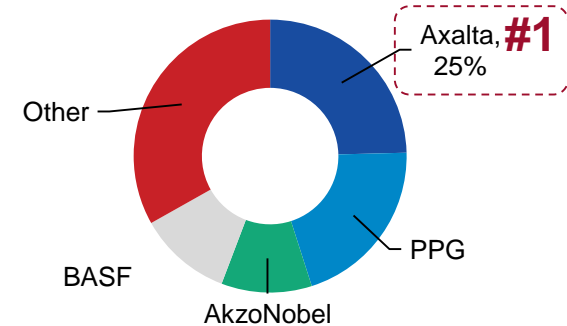
## Axalta's Global Scale



- 35 manufacturing facilities, 45 customer training centers and 7 technology centers
- ~12,600 employees, serving customers locally in over 130 countries

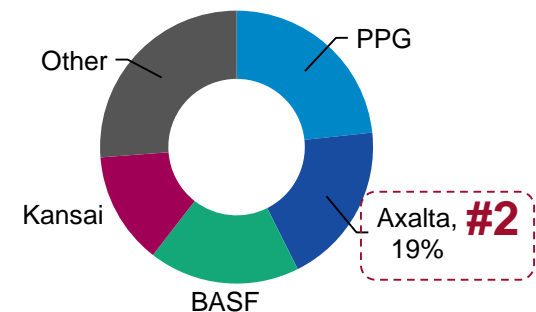
## Leading Global Market Positions

### Performance Coatings: Refinish



Source: Orr & Boss and Management estimates.

### Transportation Coatings: Light Vehicle



Source: Orr & Boss and Management estimates.

**Premier Coatings Business with ~90% of Sales Generated in Markets Where Axalta Holds #1 or #2 Global Market Position**

1. Mexico is included in Latin America throughout the presentation.  
2. Includes nine joint venture manufacturing facilities.

# 1 Global Market Leader in an Attractive Industry



Our Coatings are Critical to Look & Durability,  
at a Relatively Low Cost



**Refinish:** 5%-10% of total  
repair cost



**Light & Commercial  
Vehicle:** <1% of a new  
vehicle's cost

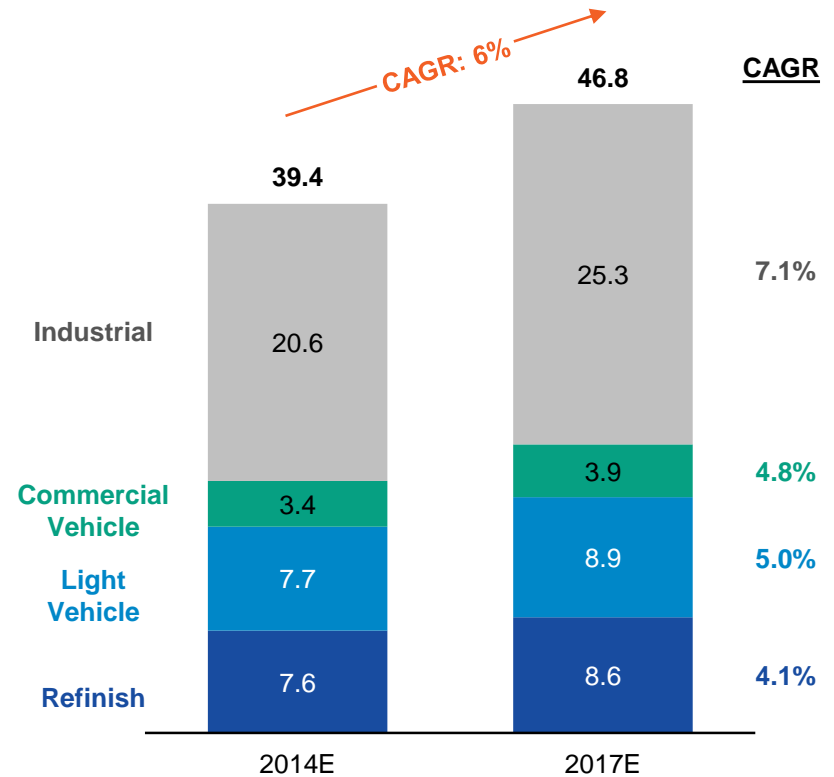


**Industrial:** Critical to  
function and durability

Strong Coatings Growth Outlook

## Coatings Industry Sales

(\$ in Billions)



Source: Orr & Boss.

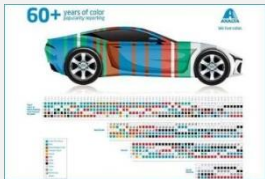
Compelling Value Proposition Driven by Strong Underlying Market Growth



## 2 Sustainable Competitive Advantages



### Extensive Color Library



- Over 4 million color variations

### Strong Brands



- Deep coatings heritage since 1866
- Broad brand portfolio

### Global Manufacturing & Distribution Footprint



- 35 facilities in 5 continents
- 80,000 body shops served globally

### Differentiated Technical Support



- Dedicated employees in OEM plants
- Technical support to body shops

### Global Technology Leader



- Patents: 1,200+ issued and 500+ pending
- 250+ trademarks
- 1,300 technology development employees

**Differentiated Franchise with Global Scale**

### 3 Technology Leader



#### Industry Trends

**Government Regulation:  
VOC Limits**

**Continuous Cost  
Reduction by OEMs**

**OEM Light-Weighting  
of Vehicles**

**Growth in Multi-Shop  
Operators (“MSO”)**

**More Complex Colors**

#### Axalta Technologies

- Complete VOC compliant portfolio for Refinish and OEM
- Both low VOC compliant waterborne and solventborne technologies



- 3-Wet, 2-Wet Monocoat and Eco-Concept processes enable OEMs to reduce capital, footprint, headcount and energy



- Broad substrate coating applicability for next generation materials (e.g., carbon fiber, aluminum and composites)



- Waterborne technology improves productivity critical to MSOs



- Integration with OEMs grows color library
- Advanced color matching technologies critical to body shop supplier selection



**Broad Technology Portfolio Well-Positioned to Benefit from Industry Trends**



## 4 Profitable Growth Initiatives



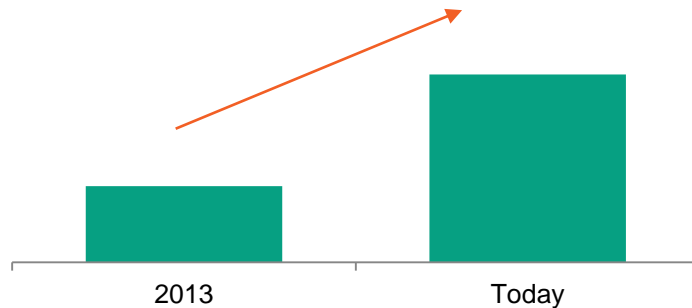
**Profitable Growth Underpinned by Both Top and Bottom Line Initiatives**

## 4 Visible Growth Supported by New Contract Wins



### Refinish

#### Axalta MSO Market Share



Source: Management estimates

- Axalta is driving market share gains by partnering with key industry consolidators
- Our value proposition is strong with all levels in the refinish market

### Light Vehicle New Wins

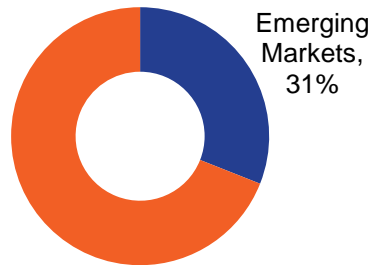


**Strong Momentum Driven by Customer-Centric Approach**

## 4 Accelerating Growth in Emerging Markets

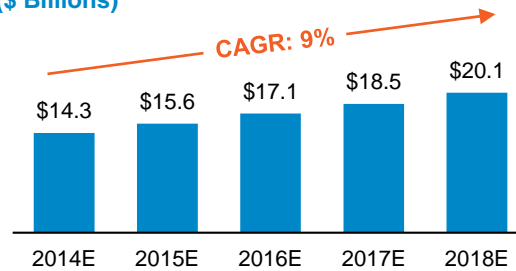


### Axalta 2014 Net Sales



### Emerging Market Growth

Coatings Market (\$ Billions)



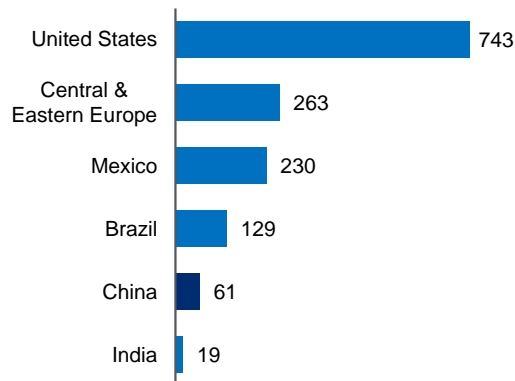
Source: Orr & Boss.

### Significant Opportunity

- Rapid growth of middle-class in emerging economies
- Increased vehicle penetration
- Expansion of car parc
- Elevated collision rates vs. developed markets

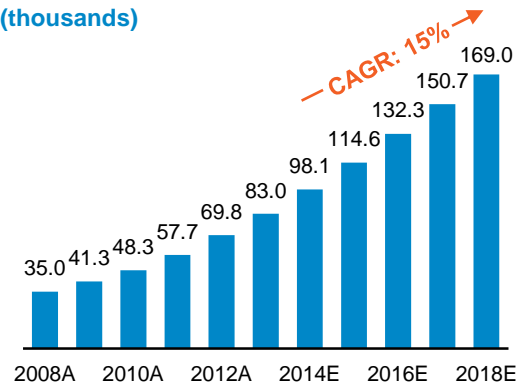
### China Example

#### Light Vehicles, Per 1,000 People



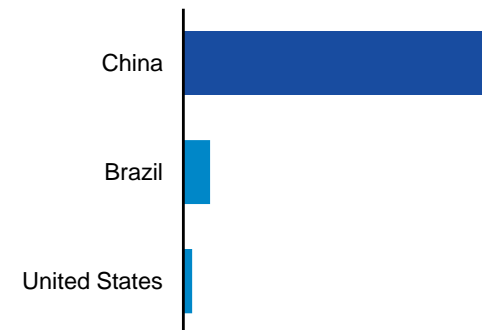
Source: LMC Automotive and World Bank (2013).

#### China Car Parc (thousands)



Source: LMC Automotive.

#### Damaged Vehicles Per 1M km Driven (2011)



Source: Management estimates.

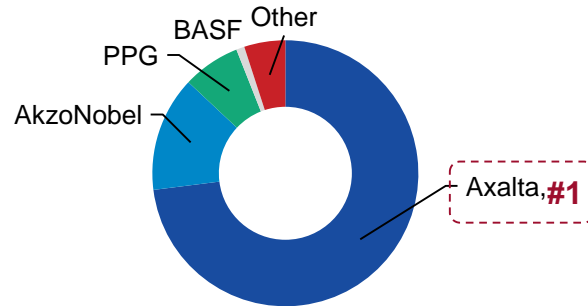
### Significant Emerging Markets Growth Opportunity Across Axalta's End-Markets

## 4 Globalizing Existing Products to Reach Underserved Markets



### Heavy Duty Truck

#### North American Heavy Duty Truck Market

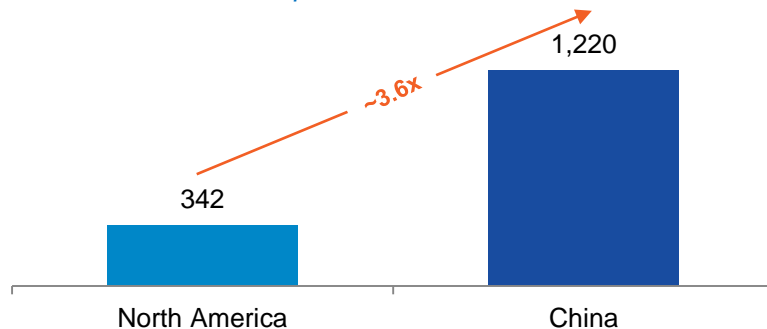


Source: Orr & Boss.

#### Heavy Duty Truck Production

(Vehicles in Thousands)

*Axalta leads in North America, but remains underrepresented in China*



Source: LMC Automotive.

### Industrial



Electrical Insulation



Powder Coatings



Coil

- Strong product portfolio in powder, water and e-coat
- Leveraging existing technology and enhanced sales organization to gain additional share
- Implemented global end market business structure to capitalize on opportunities

**Meaningful Growth Opportunities from Leveraging Existing Product Portfolio in Underserved Markets and Geographies**

## 4 Cost Initiatives to Enhance Profitability



2013  2017


### Initial Carve-Out Actions:

- Globalize Procurement Organization
- Eliminate Stranded Costs

### Fit For Growth (Europe): \$100 million targeted savings

- Wage & benefit restructuring
- Rationalize manufacturing and logistics, invest in automation
- Right-size staffing levels

### Axalta Way: \$100 million targeted savings

- Axalta's permanent business process for continuous improvement
  - Implement Lean tools to enhance productivity and improve ROIC
  - Near-term opportunities in commercial excellence, procurement, SG&A cost reduction
- 

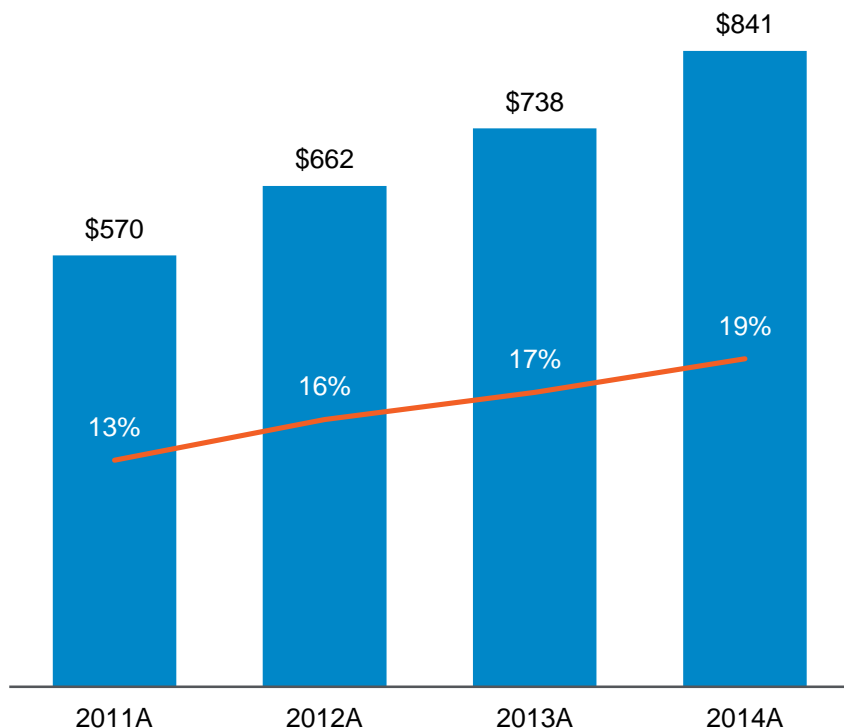
**Operating Initiatives Expected To Enhance Profit Over 3 Years**

## 5 Strong Financial Profile



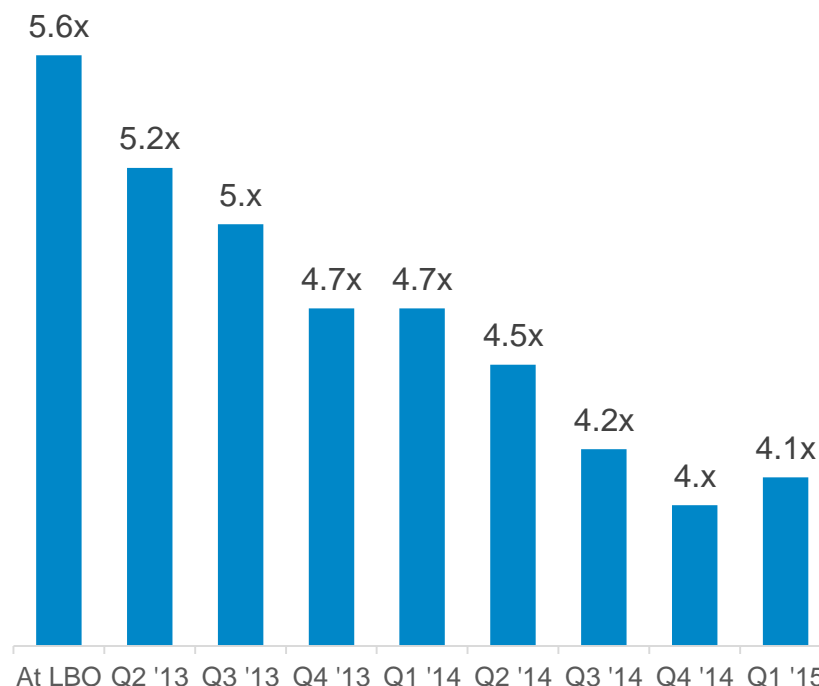
### Strong Improvement in Adj. EBITDA<sup>1</sup>

(\$ in Millions, % Adj. EBITDA margin)



### Net Leverage

(Net Debt / Adj. EBITDA)



**Our Actions to Date Have Resulted in a Robust Financial Profile**

Source: Company filings and presentations.

Note: Our pro forma Adjusted EBITDA for the year ended 12/31/2013 combine predecessor period from January 1, 2013 to January 31, 2013 and successor period ended December 31, 2013.



# Strong Earnings Momentum with Potential Upside



Future

## Attractive Potential Upside

- ▲ Bolt-on acquisitions
- ▲ Partnerships
- ▲ Consolidation opportunities

## Ongoing Initiatives

### Operational Improvements

- ✓ Optimize procurement
- ✓ Streamline operations
- ✓ Enhance productivity

### Axalta Growth Initiatives

- ✓ Strong momentum driven by customer-centric approach
- ✓ Accelerating growth in emerging markets
- ✓ Globalizing existing products to reach underserved markets

### Underlying Market Growth

- ✓ Strong underlying demand growth
- ✓ Robust industry trends favor global suppliers

Today



# Financial Overview

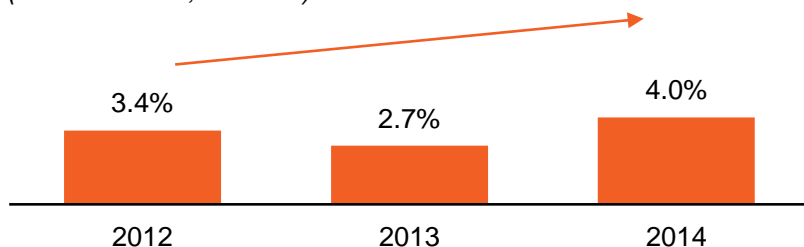
# Strong Performance With Future Upside



## Axalta's Achievements To Date

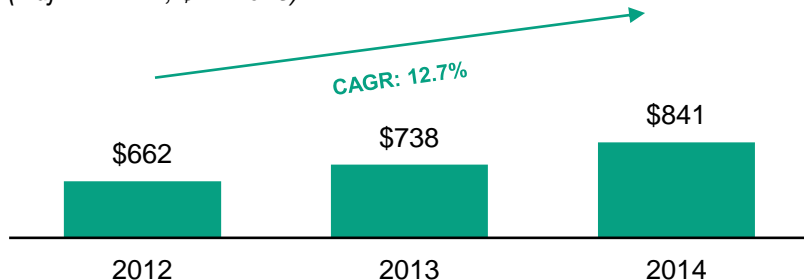
### Robust Net Sales Growth

(YoY Net Sales, Excl. FX)



### Solid Adjusted EBITDA Growth

(Adj. EBITDA, \$ Millions)



## Key Observations

- **Positioned for solid long-term growth**
  - Multiple top-line and bottom-line growth opportunities
  - Continued product extension, emerging market share gains, globalization initiatives
  - Ramping new business wins a key driver
- **Strong, sustainable margins**
  - Diverse global revenue base
  - Compelling coatings value proposition
  - Attractive industry dynamics

**Building a Track Record of Strong Profitable Growth**

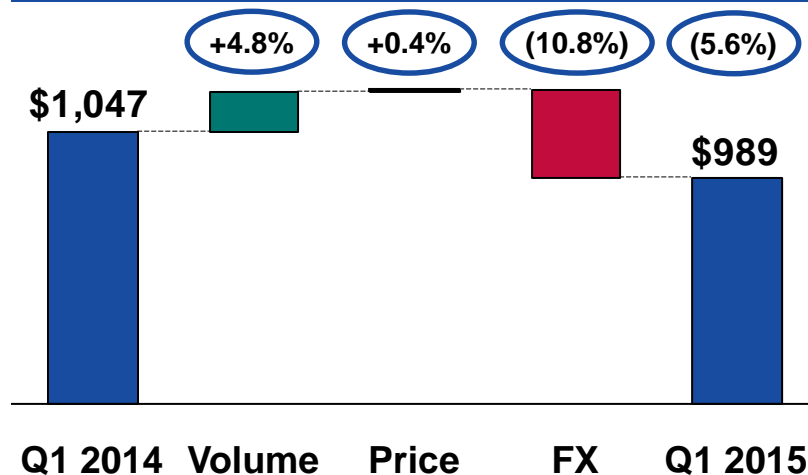
# Q1 2015 Consolidated Results



## Financial Performance

(\$ in millions)	Q1		% Change	
	2015	2014	Incl. F/X	Excl. F/X
Performance	557	616	(9.6%)	2.5%
Transportation	432	431	0.2%	9.1%
Net Sales	989	1,047	(5.6%)	5.2%
Adjusted EBITDA	182	187	(2.5%)	
% margin	18.4%	17.8%		

## Net Sales Variance



## Commentary

### Net sales increased 5.2% excluding currency

- Volume growth led by North America and Asia-Pacific
- Moderate price increases in select regions
- 10.8% unfavorable currency impact

### Adjusted EBITDA margin up 60 bps

- Improvement driven by volume growth and cost reduction initiatives
- Dividend to Industrial JV partner and unabsorbed overhead associated with Jiading, China startup negatively impacted Q1 by \$4 million

# Full Year 2015 Guidance



- **Net Sales Growth: + 5-7% excluding F/X; flat to slightly down on an as-reported basis**
  - Growth across all regions and end-markets, excluding F/X impact, which is a significant headwind, though primarily translational with production and sales fairly balanced by region
  - Performance Coatings Drivers: Increased volumes, selective price increases
  - Transportation Coatings Drivers: Light Vehicle ramp from recent “wins”; continued strong truck production
- **Adjusted EBITDA: \$860-900 million**
  - Adjusted EBITDA margin of approximately 20%
  - Drivers: Ramping sales growth and savings from our optimization initiatives
  - 2H 2015 ramps with new capacity coming online to serve Light Vehicle plant wins
- **Tax Rate: Normalized effective @ 27-29%**
- **CapEx: \$150 million, ~60% for growth & productivity projects**
- **Net working capital: 13-15% of net sales, excluding previously expensed transition-related items**



# Appendix A: Segment Overviews



# Refinish Market Overview

Performance Coatings

Transportation Coatings

Refinish

Industrial

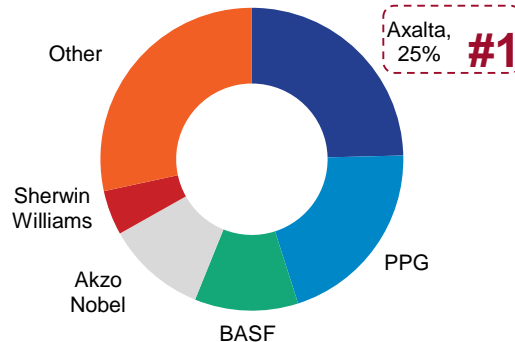
Light Vehicle

Commercial Vehicle



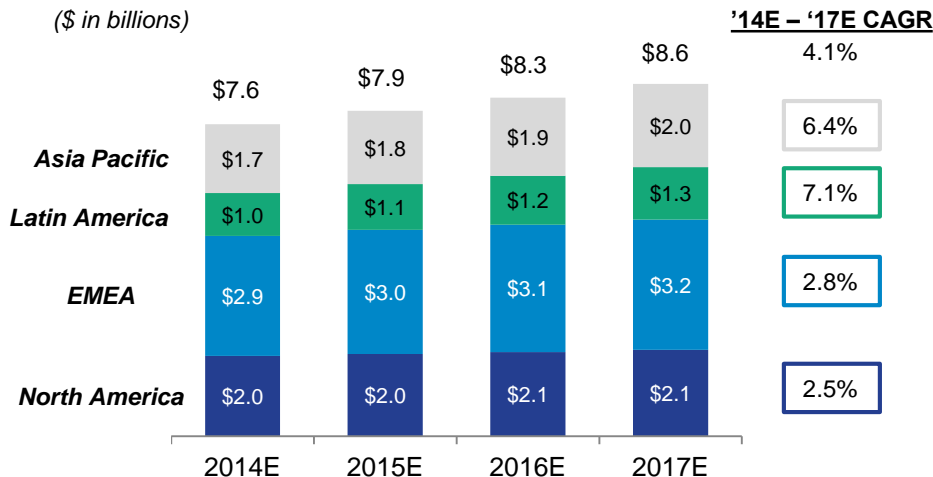
## Global Share Position

2013 Refinish Industry Sales: \$7.3 billion



## Projected Industry Sales

(\$ in billions)



Source: Orr & Boss

Axalta Coating Systems

## Key Trends

- **Volume drivers: Size of car parc, miles driven, resulting collisions**
  - Global car parc to grow from 1,019 M to 1,176 M cars from 2013-17E, with significant growth in China
- **Industry structure & technological improvements enable annual price increases in most markets**
  - Fragmented distribution / body shop base
  - Paint is a small portion of total repair cost but key to vehicle appearance
  - Loyalty to brand by sprayers can help retention
- **Focus on technology & metrics to increase body shop productivity**
  - Newer coatings reduce spray and drying times, reducing repair cycle times
- **Increasing environmental regulation**
  - EU, North America lead in adopting regulations restricting volatile organic compounds (VOCs); other geographies following over time

# Refinish Process



## Consumer

### Accident

- Incident occurs, vehicle not totaled



### Call Insurance

- Consumer contacts insurance company
- May be directed to "preferred" shops nearby

### Drop Off Car at Body Shop

- Consumer drops off car
- Often provided a rental car by insurance

### Repair Performed

- Replacement parts are installed
- New / repaired parts are prepared and painted to match car

### Vehicle Returned

- Consumer focused on look of repairs
- Process may take a few days to a week



## Body Shop

### Prepare Surface

- New or repaired area is puttied, sanded, etc. to smooth surface



### Primer Surfacer

- Protects automobile from visible and UV light
- Improves surface smoothness
- Increases topcoat adhesion

### Color Match

- Existing car color matched to database of 4mm+ Axalta colors
- Increasingly, a spectrophotometer is used to accurately determine match



### Paint Mixed

- Mixing room has 78 different paints used to mix entire color library
- Mixing requires careful weight measurement



### Basecoat

- Creates automobile's color and aesthetics
- Provides corrosion protection
- Comes in waterborne and solventborne

### Clearcoat

- Protects basecoat from the elements
- Gives automobile its lustrous look

# Industrial Market

Performance Coatings

Transportation Coatings

Refinish

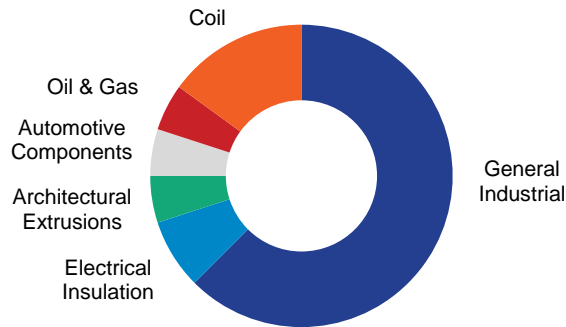
Industrial

Light Vehicle

Commercial Vehicle



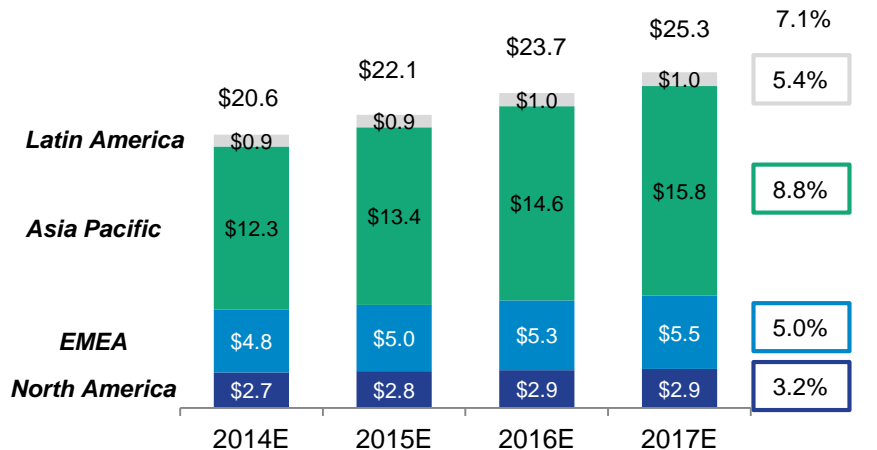
## Industrial Applications



## Projected Industry Sales

(\$ in billions)

'14E – '17E CAGR



Source: Orr & Boss

Axalta Coating Systems

## Key Trends

- **Growth drivers: Global GDP, strong China growth**
  - Approximately 50% of industrial coatings are consumed in China. Growth is expected at 7.5%+
  - Architectural market seeing steady growth globally
- **Supplier consolidation**
  - Local/regional players consolidate as major global suppliers expand their footprint
- **Technology innovation**
  - Environmentally sustainable product demand
  - Product / application technology to drive productivity
  - Corrosion resistant coatings demand
  - Innovative and vibrant color choice demand
- **Globalization of customers**
  - Expectation of local products that meet global specifications and consistency
- **Energy market driven by global infrastructure growth**
  - Temperature resistant coatings for deep well extraction, pipeline projects driving new coatings applications
  - Electrical insulation products driven by increased generation and transmission, electrification in transportation, wind power generation

# Light Vehicle Market

Performance Coatings

Transportation Coatings

Refinish

Industrial

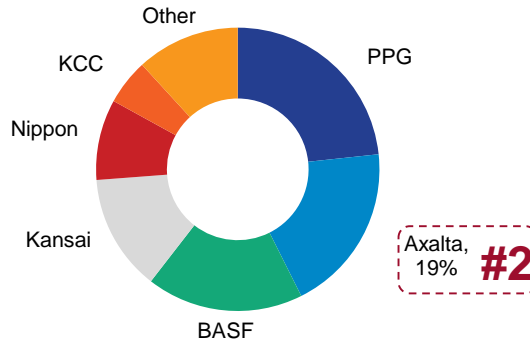
Light Vehicle

Commercial Vehicle



## Global Share Position

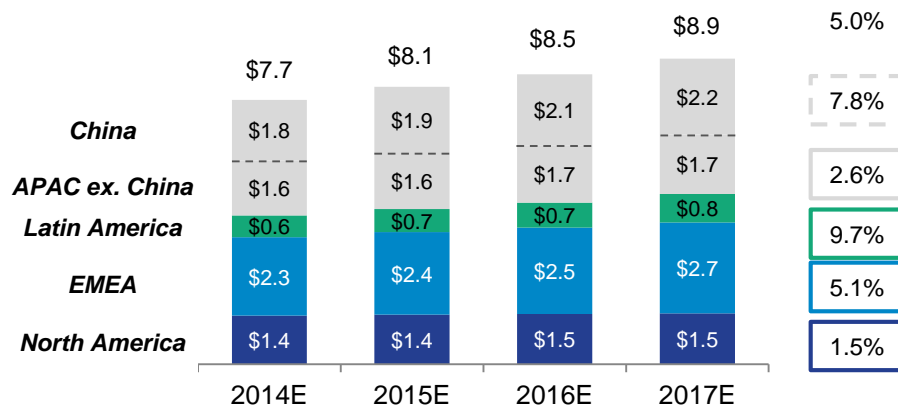
2013 Light Vehicle Industry Sales: \$7.3 billion



## Projected Industry Sales

(\$ in billions)

'14E – '17E CAGR



Source: Orr & Boss

Axalta Coating Systems

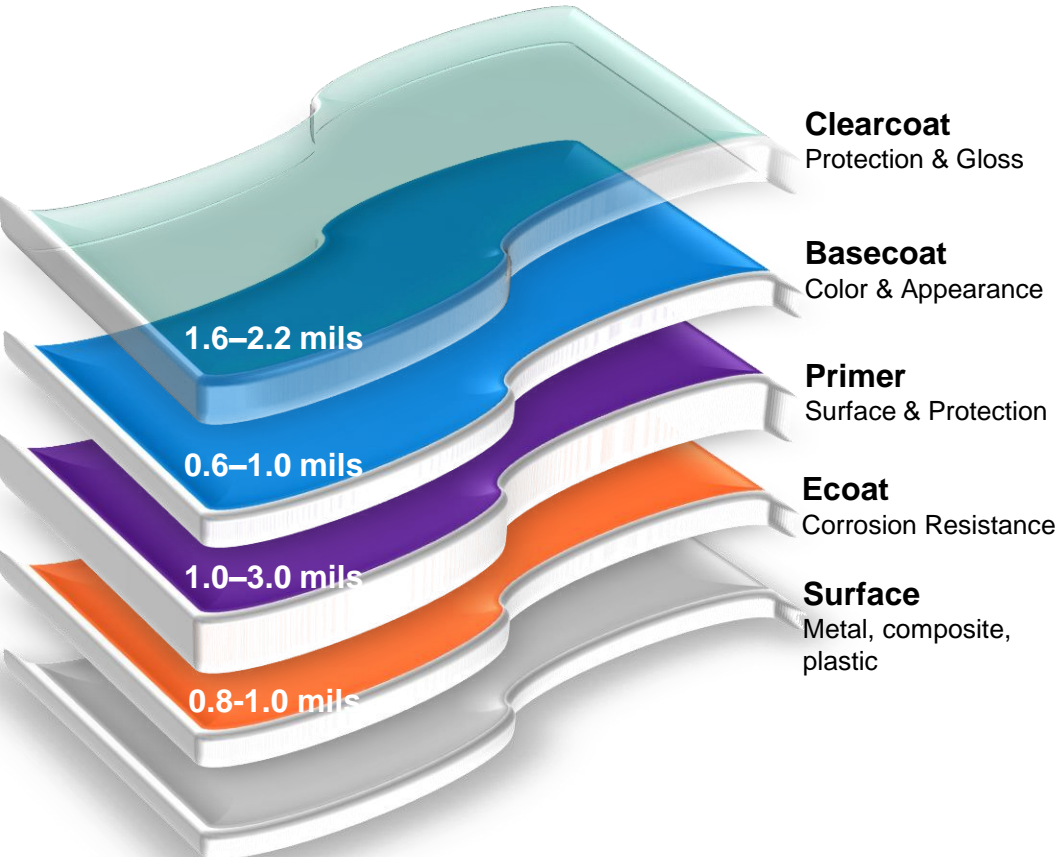
## Key Trends

- **Industry Growth**
  - Vehicle builds expected to grow 3-4% annually
  - Asia Pacific and Latin America have most growth potential
- **Globalization**
  - Global expansion with common product specifications and processes
  - Standardization of color development for global vehicle platforms
- **Product Performance**
  - Final top coat appearance key priority in customer requirements / specification
  - Increasing differentiation with color range and specific effects
- **OEM Supply Base Expectations**
  - Improved productivity and higher first run quality
  - Reduced paint shop footprint / energy consumption
- **Regulations**
  - CAFÉ and CO2 regulations drive need for vehicle light weighting and material changes
  - VOC and REACH type regulations

# Light Vehicle Products and Process



## Layers on a Vehicle



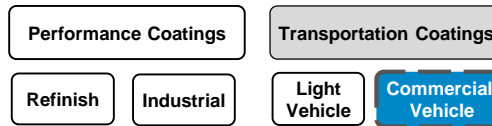
## Vehicle Coating Process

- Capital intensive process
- Large energy & environmental footprint
- Incoming raw material converted to finished product on-site
- Process prone to rework & finesse

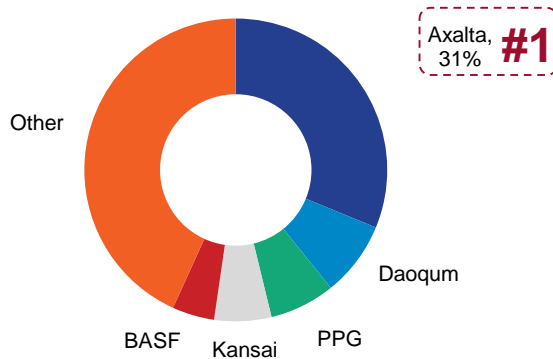
## Key Products & Processes

- Aqua EC high throw E-Coat
- 3-Wet & 2-Wet WB/SB and Eco-Concept application systems
- Global WB basecoat platform
- Gen IV / Gen V etch-resistant clearcoat
- SuperMar / ImronES urethane clearcoat

# Commercial Vehicle Market



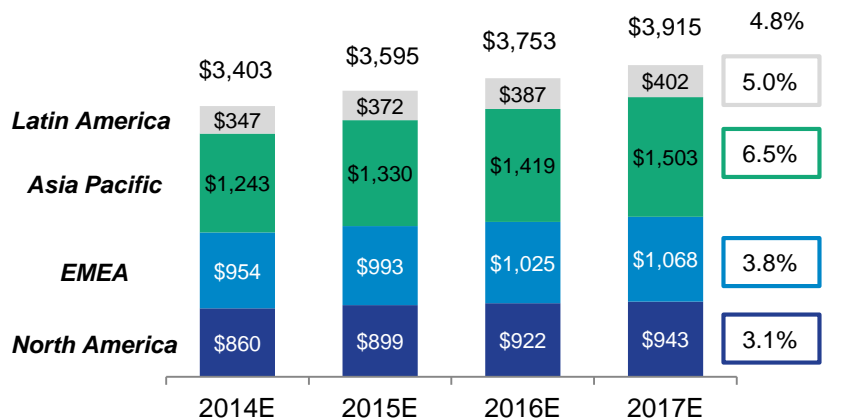
## Global HDT & Bus Share Position



## Projected Industry Sales

(\$ in millions)

'14E – '17E CAGR



Source: Orr & Boss

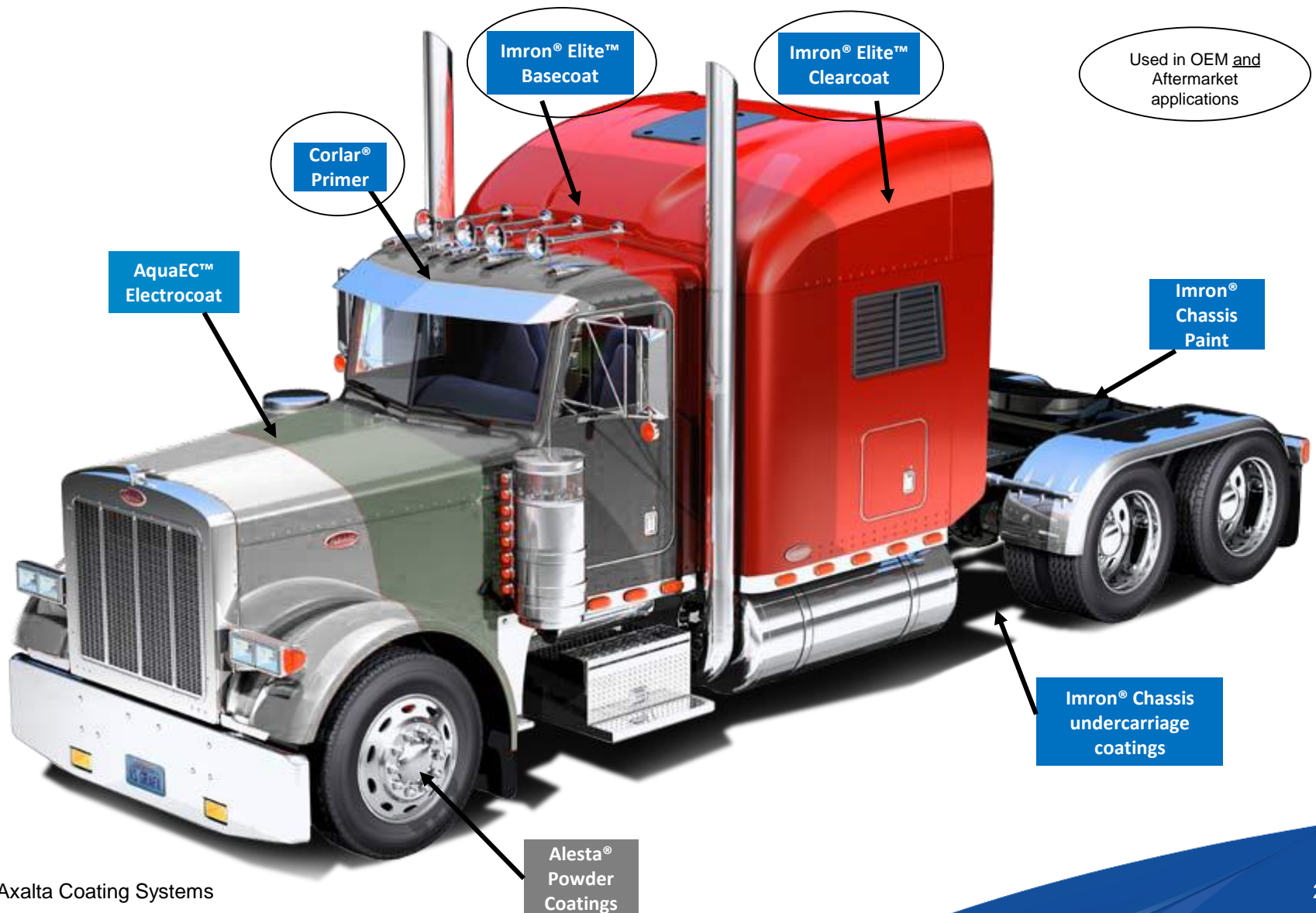
Axalta Coating Systems

## Key Trends

- **Growth drivers: GDP, reliance on mass transit**
  - Truck market drivers: Vehicle durability, fleet replacement cycles driven by emissions regulation, growth in emerging markets
  - Bus / Rail drivers: Government infrastructure spending, urbanization
- **Customers globalizing & consolidating**
  - Require products delivered locally to meet global specifications
  - Complex color palettes requiring color harmony from multiple tiered parts suppliers
  - Global customer approvals becoming increasingly important and a competitive advantage
- **Increasing environmental regulation**
  - EU and parts of North America have adopted regulations aimed at reducing VOC levels
  - China requires all new Truck and Bus production lines to use waterborne coatings with other geographies likely to follow



# Commercial Vehicle Products and Brands





# Appendix B: Financial Supplement & Disclosures

# Full Year 2015 Assumptions



## Macroeconomic Assumptions

- Global GDP growth of approximately 3%
- Global industrial production of approximately 4%
- Global auto build growth of approximately 3%
- Limited benefit from lower oil prices given extended supply chain and category specific supply and demand dynamics

## Currency Assumptions

Currency	% Axalta Net Sales	2014 Avg. Rate	2015 Avg. Guidance Rate	% Change in F/X Rate
US\$ per Euro	~30%	1.33	1.10	(17.3%)
Chinese Yuan per US\$	~11%	6.17	6.25	(1.3%)
Mexican Peso per US\$	~6%	13.33	15.00	(12.5%)
Brazilian Real per US\$	~5%	2.36	2.90	(22.9%)
Venezuelan Bolivar per US\$	~3%	8.91	25.00	(180.6%)
Russian Ruble per US\$	~2%	38.48	65.00	(68.9%)

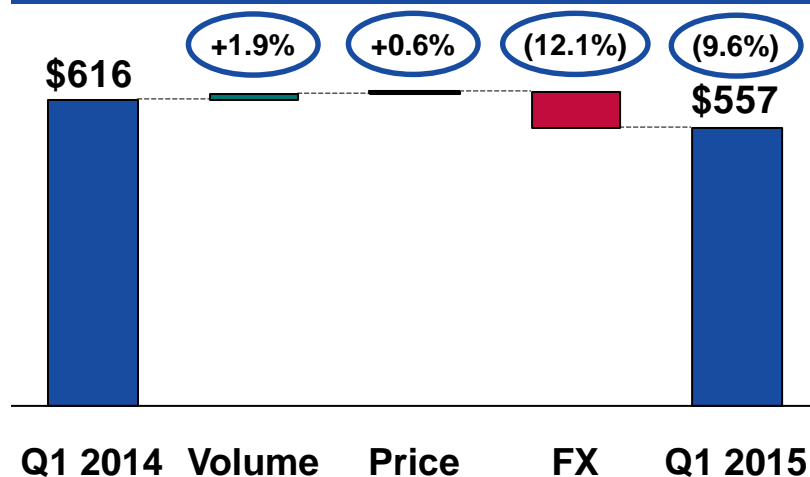
# Q1 2015 Performance Coatings Results



## Financial Performance

(\$ in millions)	Q1		% Change	
	2015	2014	Incl. F/X	Excl. F/X
Refinish	393	435	(9.7%)	2.7%
Industrial	164	181	(9.3%)	1.9%
Net Sales	557	616	(9.6%)	2.5%
Adjusted EBITDA	107	125	(14.0%)	
% margin	19.2%	20.2%		

## Net Sales Variance



## Commentary

### Net sales increased 2.5% excluding currency

- Refinish end market increased volumes and price, offset partly by continued volume pressure in specific EMEA countries
- Industrial volumes showed solid growth; Powder in North America a highlight with commercial construction pickup and continued new channel expansion
- 12.1% unfavorable currency impact

### Adjusted EBITDA margin down slightly

- Drivers included ongoing investments to support growth, and dividend paid to Industrial JV partner in period

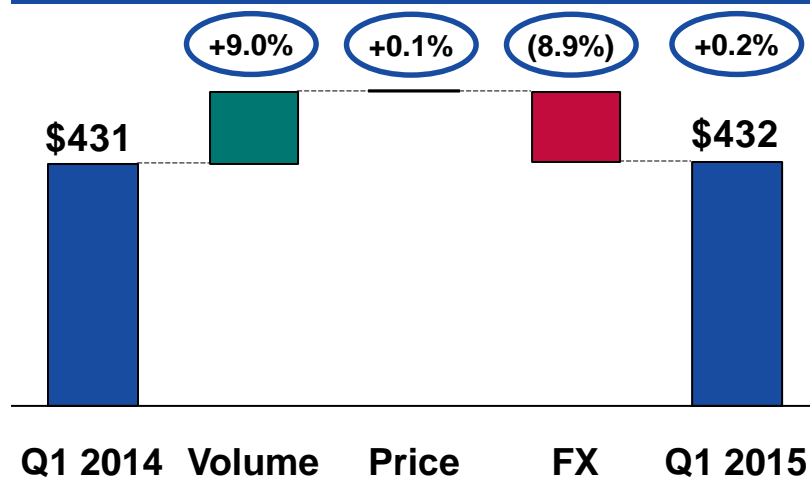
# Q1 2015 Transportation Coatings Results



## Financial Performance

(\$ in millions)	Q1		% Change	
	2015	2014	Incl. F/X	Excl. F/X
Light Vehicle	333	340	(1.9%)	7.4%
Commercial Vehicle	99	92	7.6%	15.4%
Net Sales	432	431	0.2%	9.1%
Adjusted EBITDA	75	62	20.4%	
% margin	17.3%	14.4%		

## Net Sales Variance



## Commentary

### Net sales increased 9.1% excluding currency

- Light Vehicle net sales increases led by Asia Pacific and North America from new business and strong car builds. Asia Pacific volumes up over 20%
- Commercial Vehicle net sales growing strongly in most regions, driven by heavy duty truck sales
- 8.9% unfavorable currency impact

### Adjusted EBITDA margin up 290 bps

- 20% Adjusted EBITDA growth driven by positive volume effect and benefits from cost initiatives. Some offsetting drag from unabsorbed growth investments in Asia Pacific

# Adjusted EBITDA Reconciliation



(\$ in millions)	Predecessor									
	Predecessor FY 2011	Predecessor FY 2012	ProForma <sup>(1)</sup> FY 2013*	January 1, through January 31, 2013	Successor FY 2013	Successor FY 2014	Successor Q4 2013	Successor Q4 2014	Successor Q1 2014	Successor Q1 2015
Net Income (Loss)	\$182	\$248	(107)	\$9	(219)	\$35	(47)	\$1	(4)	\$47
Interest Expense	-	-	235	-	215	217	62	51	59	50
Provision (Benefit) for Income Taxes	121	145	(1)	7	(45)	2	(10)	(16)	12	1
Depreciation & Amortization	109	111	327	10	301	309	73	80	81	73
<b>Reported EBITDA</b>	<b>\$411</b>	<b>\$504</b>	<b>\$454</b>	<b>\$26</b>	<b>\$252</b>	<b>\$563</b>	<b>\$77</b>	<b>\$116</b>	<b>\$148</b>	<b>\$171</b>
<b>A</b> Inventory Step Up	-	-	-	-	104	-	-	-	-	-
<b>B</b> Merger & Acquisition Related Costs	-	-	-	-	28	-	-	-	-	-
<b>C</b> Financing Costs	-	-	-	-	25	6	-	-	3	-
<b>D</b> Foreign Exchange Remeasurement (Gains) Losses	23	18	34	5	49	81	(1)	36	-	9
<b>E</b> Long-Term Employee Benefit Plan Adjustments	33	37	12	2	10	(1)	5	-	2	-
<b>F</b> Termination Benefits and Other Employee Related Costs	(3)	9	148	-	148	18	83	9	3	4
<b>G</b> Consulting and Advisory Fees	-	-	55	-	55	36	22	7	13	3
<b>H</b> Transition-Related Costs	-	-	29	-	29	102	13	21	14	-
<b>I</b> IPO and Secondary Offering Costs	-	-	-	-	-	22	-	19	-	1
<b>J</b> Other Adjustments	15	13	2	-	2	11	(1)	(3)	3	(2)
<b>K</b> Dividends in respect of noncontrolling interest	(1)	(2)	(5)	-	(5)	(2)	(1)	(1)	(1)	(4)
<b>L</b> Management fee expense	-	-	3	-	3	3	1	1	1	-
<b>M</b> Allocated Corporate and Standalone Costs, Net	92	84	6	-	-	-	-	-	-	-
Total Adjustments	\$159	\$158	\$284	\$7	\$447	\$277	\$120	\$89	\$38	\$12
<b>Adjusted EBITDA</b>	<b>\$570</b>	<b>\$662</b>	<b>\$738</b>	<b>\$33</b>	<b>\$699</b>	<b>\$841</b>	<b>\$197</b>	<b>\$205</b>	<b>\$187</b>	<b>\$182</b>

Note: Numbers might not foot due to rounding.

- The Pro Forma results for the year ended December 31, 2013 represent the addition of the Predecessor period January 1 through January 31, 2013 and the Successor year ended December 31, 2013. The Pro Forma results reflect the Acquisition and the associated Financing as if they had occurred on January 1, 2013, in accordance with Article 11 of Regulation S-X. The Pro Forma results do not reflect the actual results we would have achieved had the Acquisition been completed as of January 1, 2013 and are not indicative of our future results of operations.



# Adjusted EBITDA Reconciliation (Cont'd)



- A. During the Successor year ended December 31, 2013, we recorded a non-cash fair value adjustment associated with our acquisition accounting for inventories. These amounts increased cost of goods sold by \$104 million.
- B. In connection with the Acquisition, we incurred \$28 million of merger and acquisition costs during the Successor year ended December 31, 2013. These costs consisted primarily of investment banking, legal and other professional advisory services costs.
- C. On August 30, 2012, we signed a debt commitment letter, which included the Bridge Facility. Upon the issuance of the Senior Notes and the entry into the Senior Secured Credit Facilities, the commitments under the Bridge Facility terminated. Commitment fees related to the Bridge Facility of \$21 million and associated fees of \$4 million were expensed upon the payment and termination of the Bridge Facility. In connection with the amendment to the Senior Secured Credit Facilities in February 2014, we recognized \$3 million of costs during the Successor year ended December 31, 2014. In addition to the credit facility amendment, we also incurred a \$3 million loss on extinguishment of debt recognized during the Successor year ended December 31, 2014, which resulted directly from the pro-rata write off of unamortized deferred financing costs and original issue discounts associated with the pay-down of \$100.0 million of principal on the New Dollar Term Loan.
- D. Eliminates foreign exchange gains and losses resulting from the remeasurement of assets and liabilities denominated in foreign currencies, including a \$19 million loss related to the Acquisition date settlement of a foreign currency contract used to hedge the variability of Euro-based financing.
- E. For the Successor years ended December 31, 2014 and 2013, eliminates the non-service cost components of employee benefit costs. Additionally, we deducted a pensions curtailment gain of \$7 million recorded during the Successor year ended December 31, 2014. For the Predecessor periods January 1, 2013 through January 31, 2013, and years ended December 31, 2012 and 2011, eliminates (1) all U.S. pension and other long-term employee benefit costs that were not assumed as part of the Acquisition and (2) the non-service cost component of the pension and other long-term employee benefit costs for the foreign pension plans that were assumed as part of the Acquisition
- F. Represents expenses primarily related to employee termination benefits, including our initiative to improve the overall cost structure within the European region, and other employee-related costs. Termination benefits include the costs associated with our headcount initiatives for establishment of new roles and elimination of old roles and other costs associated with cost saving opportunities that were related to our transition to a standalone entity.
- G. Represents fees paid to consultants, advisors and other third-party professional organizations for professional services rendered in conjunction with the transition from DuPont to a standalone entity.
- H. Represents charges associated with the transition from DuPont to a standalone entity, including branding and marketing, information technology related costs and facility transition costs.

# Adjusted EBITDA Reconciliation (Cont'd)



- I. Represents costs associated with the IPO, including a \$13.4 million pre-tax charge associated with the termination of the management agreement with Carlyle Investment Management, L.L.C., an affiliate of Carlyle, upon the completion of the IPO. See note L below.
- J. Represents costs for certain unusual or non-operational (gains) and losses and the non-cash impact of natural gas and currency hedge losses allocated to DPC by DuPont, stock-based compensation, asset impairments, equity investee dividends, indemnity (income) losses associated with the Acquisition, gains resulting from amendments to long-term benefit plans and loss (gain) on sale and disposal of property, plant and equipment.
- K. Represents the payment of dividends to our joint venture partners by our consolidated entities that are now wholly owned.
- L. Pursuant to Axalta's management agreement with Carlyle Investment Management, L.L.C., an affiliate of Carlyle, 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 million and out-of-pocket expenses. This agreement was terminated upon completion of the IPO, at which point we recorded a \$13 million pre-tax charge.
- M. Represents (1) the add-back of corporate allocations from DuPont to DPC for the usage of DuPont's facilities, functions and services; costs for administrative functions and services performed on behalf of DPC by centralized staff groups within DuPont; a portion of DuPont's general corporate expenses; and certain pension and other long-term employee benefit costs, in each case because we believe these costs are not indicative of costs we would have incurred as a standalone company net, of (2) estimated standalone costs based on a corporate function resource analysis that included a standalone executive office, the costs associated with supporting a standalone information technology infrastructure, corporate functions such as legal, finance, treasury, procurement and human resources and certain costs related to facilities management. This resource analysis included anticipated headcount and the associated overhead costs of running these functions effectively as a standalone company of our size and complexity. This estimate is provided for additional information and analysis only, as we believe that it facilitates enhanced comparability between Predecessor and Successor periods. It represents the difference between the costs that were allocated to our predecessor by its parent and the costs that we believe would be incurred if it operated as a standalone entity. This estimate is not intended to represent a pro forma adjustment presented within the guidance of Article 11 of Regulation S-X. Although we believe this estimate is reasonable, actual results may have differed from this estimate, and any difference may be material.

	Predecessor Year Ended December 31, 2011	Predecessor Year Ended December 31, 2012	Predecessor Period from January 1, 2013 through January 31, 2013
Allocated Corporate Costs	\$ 333.5	\$ 333.3	\$ 25.4
Standalone Costs	(241.8)	(249.1)	(19.7)
Total	<u>\$ 91.7</u>	<u>\$ 84.2</u>	<u>\$ 5.7</u>