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

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 OR 15(d) of The
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) October 28, 2013

ALLISON TRANSMISSION HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-35456
(Commission
File Number)

26-0414014
(IRS Employer
Identification No.)

One Allison Way, Indianapolis, Indiana
(Address of principal executive offices)

46222
(Zip Code)

Registrant's telephone number, including area code (317) 242-5000

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition.

On October 28, 2013, Allison Transmission Holdings, Inc. (“Allison”) published an earnings release reporting its financial results for the three months ended September 30, 2013. A copy of the earnings release is attached as Exhibit 99.1 hereto. Following the publication of the earnings release, Allison will host an earnings call on which its financial results for the three months ended September 30, 2013 will be discussed. The investor presentation materials that will be used for the call are attached as Exhibit 99.2 hereto.

On October 28, 2013, Allison posted the materials attached as Exhibits 99.1 and 99.2 on its web site (www.allisontransmission.com).

As discussed on page 2 of Exhibit 99.2, the investor presentation contains forward-looking statements within the meaning of the federal securities laws. These statements are present expectations, and are subject to the limitations listed therein and in Allison’s other Securities and Exchange Commission filings, including that actual events or results may differ materially from those in the forward-looking statements.

The foregoing information (including the exhibits hereto) is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Earnings release dated October 28, 2013.
99.2	Investor presentation materials dated October 28, 2013.

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 hereunto duly authorized.

Date: October 28, 2013

Allison Transmission Holdings, Inc.

By: /s/ Eric C. Scroggins

Name: Eric C. Scroggins

Title: Vice President, General Counsel and Secretary

EXHIBIT INDEX

Exhibit
Number

Description

99.1	Earnings release dated October 28, 2013.
99.2	Investor presentation materials dated October 28, 2013.



Allison Transmission Announces Third Quarter 2013 Results

- Net Sales \$466 million, Adjusted Net Income \$101 million and Adjusted Free Cash Flow \$116 million
- Adjusted EBITDA \$162 million or 34.7 percent of Net Sales

INDIANAPOLIS, October 28, 2013 – Allison Transmission Holdings Inc. (NYSE: ALSN), the largest global provider of commercial duty fully-automatic transmissions and hybrid-propulsion systems, today reported net sales for the quarter of \$466 million, a 6 percent decrease from the same period in 2012. Adjusted Net Income, a non-GAAP financial measure, for the quarter was \$101 million, compared to Adjusted Net Income of \$100 million for the same period in 2012, an increase of \$1 million. Diluted earnings per share for the quarter were \$0.24.

The decrease in net sales was principally driven by previously contemplated reductions in U.S. defense spending, lower demand in the North America energy sector's hydraulic fracturing market, relative to the same period in 2012, fewer sales of North America hybrid-propulsion systems for transit buses and continued weakness in the Outside North America Off-Highway mining sector end market. Partially offsetting these declines were strength in the North America On-Highway end market, our largest, and the Service Parts, Support Equipment & Other end market.

Adjusted EBITDA, a non-GAAP financial measure, for the quarter was \$162 million, or 34.7 percent of net sales, compared to \$160 million, or 32.3 percent of net sales, for the same period in 2012. Excluding \$12 million of technology-related license expenses Adjusted EBITDA for the third quarter of 2012 was \$172 million, or 34.8 percent of net sales. Adjusted Free Cash Flow, also a non-GAAP financial measure, for the quarter was \$116 million compared to \$120 million for the same period in 2012.

Lawrence E. Dewey, Chairman, President and Chief Executive Officer of Allison Transmission commented, "Allison continued to demonstrate strong operating margins and cash flow during the third quarter by executing initiatives to proactively align costs and programs across our business with end markets demand conditions while investing in growth opportunities. Although near-term economic uncertainties persist in our markets, we are encouraged by the growth we have experienced in the North American On-Highway end-market, our largest. During the third quarter, consistent with Allison's prudent approach to capital structure management, we reduced the applicable borrowing margin of our Senior Secured Credit Facility Term B-3 Loan due in 2019 and repaid \$78 million of debt. In addition, highlighting our commitment to the return of capital to Allison's shareholders, we completed a \$100 million share repurchase and paid a quarterly dividend of \$0.12 per share."

Third Quarter Net Sales by End Market

End Market	Q3 2013 Net Sales (\$M)	Q3 2012 Net Sales (\$M)	% Variance
North America On-Highway	\$ 212	\$ 189	12%
North America Hybrid-Propulsion Systems for Transit Bus	\$ 15	\$ 30	(50%)
North America Off-Highway	\$ 9	\$ 22	(59%)
Defense	\$ 52	\$ 74	(30%)
Outside North America On-Highway	\$ 70	\$ 73	(4%)
Outside North America Off-Highway	\$ 16	\$ 22	(27%)
Service Parts, Support Equipment & Other	\$ 92	\$ 84	10%
Total Net Sales	\$ 466	\$ 494	(6%)

Third Quarter Highlights

North America On-Highway end market net sales were up 12 percent from the same period in 2012 principally driven by higher demand for Rugged Duty and Highway Series models.

North America Hybrid-Propulsion Systems for Transit Bus end market net sales were down 50 percent from the same period in 2012 principally driven by lower demand and intra-year movement in the timing of orders.

North America Off-Highway end market net sales were down 59 percent from the same period in 2012 principally driven by lower demand from hydraulic fracturing applications, and essentially flat on a sequential basis for the third consecutive quarter.

Defense end market net sales were down 30 percent from the same period in 2012 principally driven by continued reductions in U.S. defense spending to longer term averages experienced during periods without active conflicts.

Outside North America On-Highway end market net sales were down 4 percent from the same period in 2012 reflecting weakness in Japan truck, and China and Latin America bus tenders timing, partially offset by improved demand conditions in Russia bus.

Outside North America Off-Highway end market net sales were down 27 percent from the same period in 2012 principally driven by weakness in the mining sector.

Service Parts, Support Equipment & Other end market net sales were up 10 percent from the same period in 2012 principally driven by higher demand for North America On-Highway and Off-Highway service parts.

Gross profit for the quarter was \$206 million, a decrease of 8 percent from gross profit of \$224 million for the same period in 2012. Gross margin for the quarter was 44.2 percent, a decrease of 130 basis points from a gross margin of 45.5 percent for the same period of 2012. The decrease in gross profit from the same period in 2012 was principally driven by decreased net sales.

Selling, general and administrative expenses for the quarter were \$74 million, a decrease of 23 percent from \$97 million for the same period in 2012. The decrease was principally driven by \$12 million of lower intangible asset amortization, reduced global commercial spending activities, favorable product warranty expense and a warranty expense reduction for the dual power inverter module ("DPIM") extended coverage program partially offset by \$2 million of higher employee stock compensation expense. The DPIM warranty expense reduction is attributable to favorable claims experience with the DPIM replacement introduced in late 2008.

Engineering – research and development expenses for the quarter were \$21 million, compared to \$36 million for the same period in 2012, a decrease of \$3 million excluding the previously noted 2012 technology-related license expenses of \$12 million. The decrease was principally driven by reduced product initiatives spending.

Third Quarter Non-GAAP Financial Measures

Adjusted EBITDA for the quarter was \$162 million, or 34.7 percent of net sales, compared to \$160 million, or 32.3 percent of net sales, for the same period in 2012. Excluding \$12 million of technology-related license expenses Adjusted EBITDA for the third quarter of 2012 was \$172 million, or 34.8 percent of net sales. The decrease in Adjusted EBITDA excluding technology-related license expenses from the same period in 2012 was principally driven by decreased net sales, partially offset by reduced global commercial and product initiatives spending.

Adjusted Net Income for the quarter was \$101 million compared to \$100 million for the same period in 2012. The increase in Adjusted Net Income was principally driven by reduced global commercial and product initiatives spending, and \$12 million of technology-related license expenses in 2012 partially offset by decreased net sales and higher employee stock compensation expense.

Adjusted Free Cash Flow for the quarter was \$116 million compared to \$120 million for the same period in 2012. The decrease was principally driven by decreased net cash provided by operating activities partially offset by reduced capital expenditures. The decrease in capital expenditures was principally driven by lower 2013 product initiatives spending.

Full Year 2013 Guidance Update

Our updated full year 2013 guidance includes Adjusted EBITDA excluding technology-related license expenses in the range of \$630 to \$640 million and Adjusted Free Cash Flow in the range of \$340 to \$360 million. We expect to achieve these levels on revised net sales for full year 2013 in the range of \$1,920 to \$1,935 million, implying an Adjusted EBITDA margin excluding technology-related license expenses in the range of 32.75 to 33.25 percent. Our updated guidance is within the ranges provided last quarter on all metrics.

In the fourth quarter of 2013, we expect net sales to stabilize on a year-over-year basis, an improvement relative to the sales declines experienced through the first three quarters of the year. We continue to anticipate improving trends in the fourth quarter of 2013 which we expect to be driven by growth in global On-Highway and Service Parts, Support Equipment & Other end markets, and abating year-over-year declines in the North America Off-Highway and North America Hybrid-Propulsion Systems for Transit Bus end markets. During the fourth quarter of 2013, as we have done throughout first three quarters of the year, we will focus on delivering our Adjusted EBITDA excluding technology-related license expenses and Adjusted Free Cash Flow commitments through the execution of initiatives that align costs and programs across our business with end markets demand conditions. Finally, we are updating our full year 2013 guidance for capital expenditures to a range of \$75 to \$80 million and cash income taxes to a range of \$8 to \$12 million.

Conference Call and Webcast

The company will host a conference call at 4:30 p.m. ET on Monday October 28 to discuss its third quarter 2013 results. Dial-in number is 1-201-689-8470 and the U.S. toll-free dial-in number is 1-877-407-9039. The passcode for the call is 10000572. A live webcast of the conference call will also be available online at <http://ir.allisontransmission.com>.

For those unable to participate in the conference call, a replay will be available from 7:30 p.m. ET on October 28 until 11:59 p.m. ET on November 4. The replay dial-in number is 1-858-384-5517 and the U.S. toll-free replay dial-in number is 1-877-870-5176. The replay passcode is 10000572.

About Allison Transmission

Allison Transmission (NYSE: ALSN) is the world's largest manufacturer of fully automatic transmissions for medium- and heavy-duty commercial vehicles and hybrid-propulsion systems for city buses. Allison transmissions are used in a variety of applications including refuse, construction, fire, distribution, bus, motorhomes, defense and energy. Founded in 1915, the company is headquartered in Indianapolis, Indiana, USA and employs approximately 2,800 people worldwide. With a market presence in more than 80 countries, Allison has regional headquarters in the Netherlands, China and Brazil with manufacturing facilities in the U.S., Hungary and India. Allison also has approximately 1,400 independent distributor and dealer locations worldwide. For more information, visit allisontransmission.com.

Forward-Looking Statements

This press release may contain forward-looking statements. All statements other than statements of historical fact contained in this press release are forward-looking statements, including all statements regarding future financial results. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plans," "project," "anticipate," "believe," "estimate," "predict," "intend," "forecast," "could," "potential," "continue" or the negative of these terms or other similar terms or phrases. Forward-looking statements are not guarantees of future performance and involve known and unknown risks. Factors which may cause the actual results to differ materially from those anticipated at the time the forward-looking statements are made include, but are not limited to: risks related to our substantial indebtedness; our participation in markets that are competitive; the highly cyclical industries in which certain of our end users operate; the failure of markets outside North America to increase adoption of fully-automatic transmissions; the concentration of our net sales in our top five customers and the loss of any one of these; future reductions or changes in government subsidies for hybrid vehicles, U.S. defense spending; general economic and industry conditions; the discovery of defects in our products, resulting in delays in new model launches, recall campaigns and/or increased warranty costs and reduction in future sales or damage to our brand and reputation; our ability to prepare for, respond to and successfully achieve our objectives relating to technological and market developments and changing customer needs; risks associated with our international operations; and labor strikes, work stoppages or similar labor disputes, which could significantly disrupt our operations or those of our principal customers. Although we believe the expectations reflected in such

forward-looking statements are based upon reasonable assumptions, we can give no assurance that the expectations will be attained or that any deviation will not be material. All information is as of the date of this press release, and we undertake no obligation to update any forward-looking statement to conform the statement to actual results or changes in expectations.

Use of Non-GAAP Financial Measures

This press release contains information about Allison's financial results which are not presented in accordance with accounting principles generally accepted in the United States ("GAAP"). Such non-GAAP financial measures are reconciled to their closest GAAP financial measures at the end of this press release. Non-GAAP financial measures should not be considered in isolation or as a substitute for our reported results prepared in accordance with GAAP and, as calculated, may not be comparable to other similarly titled measures of other companies.

Attachment

- Condensed Consolidated Statements of Operations
- Condensed Consolidated Balance Sheets
- Condensed Consolidated Statements of Cash Flows
- Reconciliation of GAAP to Non-GAAP Financial Measures

Contacts

Investor Relations
(317) 242-3078
ir@allisontransmission.com

Media Relations
(317) 242-5000
media@allisontransmission.com

Allison Transmission Holdings, Inc.
Condensed Consolidated Statements of Operations
(Unaudited, dollars in millions, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net sales	\$ 466.3	\$ 493.5	\$ 1,435.8	\$ 1,654.8
Cost of sales	260.2	269.1	805.3	894.7
Gross profit	206.1	224.4	630.5	760.1
Selling, general and administrative expenses	74.0	96.7	247.5	307.0
Engineering—research and development	20.9	35.9	72.7	87.0
Operating income	111.2	91.8	310.3	366.1
Interest expense, net	(37.3)	(40.8)	(104.5)	(115.6)
Other expense, net	(1.5)	(1.8)	(7.2)	(55.4)
Income before income taxes	72.4	49.2	198.6	195.1
Income tax (expense) benefit	(27.9)	(17.0)	(76.1)	307.9
Net income	\$ 44.5	\$ 32.2	\$ 122.5	\$ 503.0
Basic earnings per share attributable to common stockholders	\$ 0.24	\$ 0.18	\$ 0.66	\$ 2.77
Diluted earnings per share attributable to common stockholders	\$ 0.24	\$ 0.17	\$ 0.65	\$ 2.70

Allison Transmission Holdings, Inc.
Condensed Consolidated Balance Sheets
(dollars in millions)

	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 152.3	\$ 80.2
Accounts receivables—net of allowance for doubtful accounts of \$0.9 and \$0.9, respectively	198.7	165.0
Inventories	165.9	157.1
Deferred income taxes, net	56.9	55.3
Other current assets	33.2	32.7
Total Current Assets	607.0	490.3
Property, plant and equipment, net	553.1	596.2
Intangible assets, net	3,577.0	3,657.1
Deferred income taxes, net	1.1	32.3
Other non-current assets	73.0	90.1
TOTAL ASSETS	\$ 4,811.2	\$ 4,866.0
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 163.9	\$ 133.1
Current portion of long term debt	11.4	19.5
Other current liabilities	223.0	225.2
Total Current Liabilities	398.3	377.8
Long term debt	2,719.8	2,801.3
Other non-current liabilities	325.3	330.0
TOTAL LIABILITIES	3,443.4	3,509.1
TOTAL STOCKHOLDERS' EQUITY	1,367.8	1,356.9
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 4,811.2	\$ 4,866.0

Allison Transmission Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited, dollars in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net cash provided by operating activities	\$ 131.0	\$ 138.9	\$ 315.4	\$ 385.4
Net cash used for investing activities (a)	(15.2)	(38.5)	(45.8)	(108.5)
Net cash used for financing activities	(190.0)	(120.2)	(207.7)	(508.3)
Effect of exchange rate changes in cash	(0.9)	(10.4)	10.2	(0.7)
Net (decrease) increase in cash and cash equivalents	(75.1)	(30.2)	72.1	(232.1)
Cash and cash equivalents at beginning of period	227.4	112.1	80.2	314.0
Cash and cash equivalents at end of period	<u>\$ 152.3</u>	<u>\$ 81.9</u>	<u>\$ 152.3</u>	<u>\$ 81.9</u>
Supplemental disclosures:				
Interest paid	\$ 33.3	\$ 31.8	\$ 112.9	\$ 120.6
Income taxes paid	\$ 0.5	\$ 2.6	\$ 3.5	\$ 9.0
(a) Additions of long-lived assets	\$ (15.4)	\$ (31.4)	\$ (41.2)	\$ (93.9)

Allison Transmission Holdings, Inc.
Reconciliation of GAAP to Non-GAAP Financial Measures
(Unaudited, dollars in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net income	\$ 44.5	\$ 32.2	\$ 122.5	\$ 503.0
plus:				
Interest expense, net	37.3	40.8	104.5	115.6
Cash interest expense	(33.3)	(31.8)	(112.9)	(120.6)
Income tax expense (benefit)	27.9	17.0	76.1	(307.9)
Cash income taxes	(0.5)	(2.6)	(3.5)	(9.0)
Technology-related investments expense (a)	—	6.4	2.5	14.4
Public offering expenses (b)	0.3	—	0.9	6.1
Fee to terminate services agreement with the Sponsors (c)	—	—	—	16.0
Amortization of intangible assets	25.1	37.5	80.1	112.5
Adjusted net income	<u>\$101.3</u>	<u>\$ 99.5</u>	<u>\$ 270.2</u>	<u>\$ 330.1</u>
Cash interest expense	33.3	31.8	112.9	120.6
Cash income taxes	0.5	2.6	3.5	9.0
Depreciation of property, plant and equipment	24.4	26.1	74.1	76.0
Loss on redemptions and repayments of long-term debt (d)	0.5	0.5	0.5	21.6
Dual power inverter module extended coverage (e)	(2.4)	—	(2.4)	9.4
Benefit plan re-measurement (f)	—	—	—	2.3
Unrealized (gain) loss on commodity hedge contracts (g)	(0.8)	(2.1)	1.1	(0.9)
Unrealized loss (gain) on foreign exchange (h)	1.8	—	2.3	(0.2)
Restructuring charge (i)	—	—	1.0	—
Other (j)	3.0	1.1	10.7	5.3
Adjusted EBITDA	<u>\$161.6</u>	<u>\$159.5</u>	<u>\$ 473.9</u>	<u>\$ 573.2</u>
Adjusted EBITDA excluding technology-related license expenses (k)	<u>\$161.6</u>	<u>\$171.5</u>	<u>\$ 479.9</u>	<u>\$ 585.2</u>
Net sales	\$466.3	\$493.5	\$1,435.8	\$1,654.8
Adjusted EBITDA margin	34.7%	32.3%	33.0%	34.6%
Adjusted EBITDA margin excluding technology-related license expenses (k)	34.7%	34.8%	33.4%	35.4%
Net Cash Provided by Operating Activities	\$131.0	\$138.9	\$ 315.4	\$ 385.4
(Deductions) or Additions to Reconcile to Adjusted Free Cash Flow:				
Additions of long-lived assets	(15.4)	(31.4)	(41.2)	(93.9)
Fee to terminate services agreement with the Sponsors (c)	—	—	—	16.0
Technology-related license expenses (k)	—	12.0	6.0	12.0
Adjusted Free Cash Flow	<u>\$115.6</u>	<u>\$119.5</u>	<u>\$ 280.2</u>	<u>\$ 319.5</u>

- (a) Represents an impairment charge (recorded in Other expense, net) for investments in co-development agreements with various companies to expand our position in transmission technologies.
- (b) Represents fees and expenses (recorded in Other expense, net) related to our initial public offering in March 2012, proposed and withdrawn secondary offering in April 2013 and secondary offering in August 2013.
- (c) Represents a one-time payment (recorded in Other expense, net) to terminate the services agreement with investment funds affiliated with The Carlyle Group and Onex Corporation (collectively, our "Sponsors").
- (d) Represents losses (recorded in Other expense, net) realized on the redemptions and repayments of Allison Transmission, Inc.'s, our wholly owned subsidiary, long-term debt.
- (e) During the third quarter of 2013, we conducted a review of the Dual Power Inverter Module ("DPIM") extended coverage program resulting in a reduction of the DPIM liability, partially offset by a reduction of the associated General Motors ("GM") receivable totaling a net credit (recorded in Selling, general and administrative expenses). During the second quarter of 2012, we recorded a charge (recorded in Selling, general and administrative expenses) to increase our liability related to the DPIM extended coverage program due to claims data and additional design issues identified during introduction of replacement units. The total liability and GM receivable will continue to be reviewed for any changes in estimate as additional claims data and field information become available.
- (f) Represents a settlement charge (recorded in Other expense, net) related to the settlement of pension obligations for certain qualified hourly employees from our hourly defined benefit pension plan to GM's pension plan as part of the asset purchase agreement dated June 28, 2007.
- (g) Represents (gains) losses (recorded in Other expense, net) on the mark-to-market of our commodity hedge contracts.
- (h) Represents losses (gains) (recorded in Other expense, net) on the mark-to-market of our foreign currency hedge contracts and on intercompany financing transactions related to investments in plant assets for our India facility.
- (i) Represents a charge (recorded in Selling, general and administrative, and Engineering – research and development) related to an employee headcount reduction program in the second quarter of 2013.
- (j) Represents employee stock compensation expense (recorded in Cost of sales, Selling, general and administrative, and Engineering – research and development) and service fees paid to our Sponsors (recorded in Selling, general and administrative expenses).
- (k) Represents payments (recorded in Engineering – research and development) for licenses to expand our position in transmission technologies.

Q3 2013 Earnings Release

October 28, 2013

Lawrence Dewey, Chairman, President & Chief Executive Officer
David Graziosi, Executive Vice President & Chief Financial Officer



The following information contains, or may be deemed to contain, “forward-looking statements” (as defined in the U.S. Private Securities Litigation Reform Act of 1995). The words “believe,” “expect,” “anticipate,” “intend,” “estimate” and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Although forward-looking statements reflect management’s good faith beliefs, reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements speak only as of the date the statements are made. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to: risks related to our substantial indebtedness; our participation in markets that are competitive; the highly cyclical industries in which certain of our end users operate; the failure of markets outside North America to increase adoption of fully-automatic transmissions; the concentration of our net sales in our top five customers and the loss of any one of these; future reductions or changes in government subsidies for hybrid vehicles; U.S. defense spending; general economic and industry conditions; the discovery of defects in our products, resulting in delays in new model launches, recall campaigns and/or increased warranty costs and reduction in future sales or damage to our brand and reputation; our ability to prepare for, respond to and successfully achieve our objectives relating to technological and market developments and changing customer needs; risks associated with our international operations; and labor strikes, work stoppages or similar labor disputes, which could significantly disrupt our operations or those of our principal customers.

Allison Transmission cannot assure you that the assumptions made in preparing any of the forward-looking statements will prove accurate or that any long-term financial goals will be realized. All forward-looking statements included in this presentation speak only as of the date made, and Allison Transmission undertakes no obligation to update or revise publicly any such forward-looking statements, whether as a result of new information, future events, or otherwise. In particular, Allison Transmission cautions you not to place undue weight on certain forward-looking statements pertaining to potential growth opportunities, long-term financial goals or the value we currently ascribe to certain tax attributes set forth herein. Actual results may vary significantly from these statements.

Allison Transmission’s business is subject to numerous risks and uncertainties, which may cause future results of operations to vary significantly from those presented herein. Important factors that could cause actual results to differ materially are discussed in Allison Transmission’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 and Allison Transmission’s Annual Report on Form 10-K for the year ended December 31, 2012.

We use Adjusted net income, Adjusted EBITDA, Adjusted EBITDA excluding technology-related license expenses, Adjusted EBITDA margin, Adjusted EBITDA margin excluding technology-related license expenses, adjusted free cash flow and free cash flow to evaluate our performance relative to that of our peers. In addition, the Senior Secured Credit Facility has certain covenants that incorporate Adjusted EBITDA. However, Adjusted net income, Adjusted EBITDA, Adjusted EBITDA excluding technology-related license expenses, Adjusted EBITDA margin, Adjusted EBITDA margin excluding technology-related license expenses, adjusted free cash flow and free cash flow are not measurements of financial performance under GAAP, and these metrics may not be comparable to similarly titled measures of other companies. Adjusted net income is calculated as the sum of net income (loss), interest expense, net, income tax expense (benefit), trade name impairment and amortization of intangible assets, less cash interest, net and cash income taxes, and adjusted for certain non-recurring items. Adjusted EBITDA is calculated as the sum of Adjusted net income, cash interest, net, cash income taxes, depreciation of property, plant and equipment and other adjustments as defined by the Senior Secured Credit Facility and as further described below. Adjusted EBITDA excluding technology-related license expenses is calculated as Adjusted EBITDA less technology-related license expenses. Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by net sales. Adjusted EBITDA margin excluding technology-related license expenses is calculated as Adjusted EBITDA excluding technology-related license expenses divided by net sales. Free cash flow is calculated as net cash provided by operating activities less capital expenditures. Adjusted free cash flow is free cash flow adjusted for non-recurring items.

We use Adjusted net income to measure our overall profitability because it better reflects our cash flow generation by capturing the actual cash interest paid and cash taxes paid rather than our interest expense and tax expense as calculated under GAAP and excludes the impact of the non-cash annual amortization of certain intangible assets that were created at the time of the Acquisition Transaction. We use Adjusted EBITDA, Adjusted EBITDA excluding technology-related license expenses, Adjusted EBITDA margin and Adjusted EBITDA margin excluding technology-related license expenses to evaluate and control our cash operating costs and to measure our operating profitability. We use adjusted free cash flow and free cash flow to evaluate the amount of cash generated by the business that, after the capital investment needed to maintain and grow our business, can be used for strategic opportunities, including investing in our business and strengthening our balance sheet. We believe the presentation of Adjusted net income, Adjusted EBITDA, Adjusted EBITDA excluding technology-related license expenses, Adjusted EBITDA margin, Adjusted EBITDA margin excluding technology-related license expenses and adjusted free cash flow enhances our investors' overall understanding of the financial performance and cash flow of our business.

You should not consider Adjusted net income, Adjusted EBITDA, Adjusted EBITDA excluding technology-related license expenses, Adjusted EBITDA margin, Adjusted EBITDA margin excluding technology-related license expenses, adjusted free cash flow and free cash flow as an alternative to net income (loss), determined in accordance with GAAP, as an indicator of operating performance, or as an alternative to net cash provided by operating activities, determined in accordance with GAAP, as an indicator of Allison's cash flow.

- **Q3 2013 Performance**
- **Full Year 2013 Guidance Update**

Q3 2013 Performance Summary



(\$ in millions)	Q3 2013	Q3 2012	% Variance
Net Sales	\$466	\$494	(5.5%)
Gross Margin %	44.2%	45.5%	(130 bps)
Adjusted Net Income ⁽¹⁾	\$101	\$100	1.8%
Adjusted Free Cash Flow ⁽¹⁾	\$116	\$120	(3.3%)

Commentary

Net Sales: the decrease was principally driven by previously contemplated reductions in U.S. defense spending, lower demand in the North America energy sector's hydraulic fracturing market, relative to the same period in 2012, fewer sales of North America hybrid-propulsion systems for transit buses and continued weakness in the Outside North America Off-Highway mining sector end market. Partially offsetting these declines were strength in the North America On-Highway end market, our largest, and the Service Parts, Support Equipment & Other end market.

Gross Margin: the decrease was principally driven by decreased net sales.

Adjusted Net Income: the increase was principally driven by reduced global commercial and product initiatives spending, and \$12 million of technology-related license expenses in 2012 partially offset by decreased net sales and higher employee stock compensation expense.

Adjusted Free Cash Flow: the decrease was principally driven by decreased net cash provided by operating activities partially offset by reduced capital expenditures. The decrease in capital expenditures was principally driven by lower 2013 product initiatives spending.

(1) See Appendix for a reconciliation of Adjusted Net Income and Adjusted Free Cash Flow.

Q3 2013 Sales Performance



(\$ in millions)

End Markets	Q3 2013	Q3 2012	% Variance	Commentary
North America On-Hwy	\$212	\$189	12%	Increased demand for Rugged Duty and Highway Series models
North America Hybrid-Propulsion Systems for Transit Bus	\$15	\$30	(50%)	Decreased demand and intra-year movement in the timing of orders
North America Off-Hwy	\$9	\$22	(59%)	Decreased demand driven by hydraulic fracturing applications, but essentially flat for the third consecutive quarter
Defense	\$52	\$74	(30%)	Continued reductions in U.S. defense spending to longer term averages experienced during periods without active conflicts
Outside North America On-Hwy	\$70	\$73	(4%)	Weakness in Japan truck, and China and Latin America bus tenders timing, partially offset by improved demand conditions in Russia bus
Outside North America Off-Hwy	\$16	\$22	(27%)	Decreased mining sector demand
Service Parts, Support Equipment & Other	\$92	\$84	10%	Increased demand for North America On-Highway and Off-Highway service parts
Total	\$466	\$494	(6%)	

Q3 2013 Financial Performance



(\$ in millions, except share data)	Q3 2013	Q3 2012	\$ Var	% Var	Commentary
Net Sales	\$466.3	\$493.5	(\$27.2)	(5.5%)	Decrease was principally driven by previously contemplated reductions in U.S. defense spending, lower demand in the North America energy sector's hydraulic fracturing market, fewer sales of North America hybrid-propulsion systems for transit buses and continued weakness in the Outside North America Off-Highway mining sector end market. Partially offsetting these declines were strength in the North America On-Highway end market, our largest, and the Service Parts, Support Equipment & Other end market.
Cost of Sales	\$260.2	\$269.1	\$8.9	3.3%	
Gross Profit	\$206.1	\$224.4	(\$18.3)	(8.2%)	Principally driven by decreased net sales
Operating Expenses					
Selling, general and administrative expenses	\$74.0	\$96.7	\$22.7	23.5%	\$12 million of lower intangible asset amortization, reduced global commercial spending activities, favorable product warranty expense and a warranty expense reduction for the dual power inverter module extended coverage program partially offset by \$2 million of higher employee stock compensation
Engineering – research and development	\$20.9	\$35.9	\$15.0	41.8%	A decrease of \$3 million, excluding the 2012 technology-related license expenses of \$12 million, principally driven by reduced product initiatives spending
Total operating expenses	\$94.9	\$132.6	\$37.7	28.4%	
Operating Income	\$111.2	\$91.8	\$19.4	21.1%	
Interest Expense, net	(\$37.3)	(\$40.8)	\$3.5	8.6%	Deferred amortization and refinancing
Other Expense, net	(\$1.5)	(\$1.8)	\$0.3	16.7%	
Income Before Income Taxes	\$72.4	\$49.2	\$23.2	47.2%	
Income Tax Expense	(\$27.9)	(\$17.0)	(\$10.9)	(64.1%)	Increase in effective tax rate principally driven by decreased discrete activity
Net Income	\$44.5	\$32.2	\$12.3	38.2%	
Diluted Earnings Per Share	\$0.24	\$0.17	\$0.07	41.2%	Q3 2013: 188.0M shares; Q3 2012: 185.5M shares
Adjusted EBITDA⁽¹⁾	\$161.6	\$159.5	\$2.1	1.3%	
Adjusted EBITDA excluding technology-related license expenses⁽¹⁾	\$161.6	\$171.5	(\$9.9)	(5.8%)	
Adjusted Net Income⁽¹⁾	\$101.3	\$99.5	\$1.8	1.8%	

(1) See Appendix for a reconciliation from Net Income.

Q3 2013 Cash Flow Performance



(\$ in millions)	Q3 2013	Q3 2012	\$ Variance	% Variance	Commentary
Net Cash Provided by Operating Activities	\$131	\$139	(\$8)	(5.7%)	Principally driven by decreased net sales and lower other liabilities, net
CapEx	\$15	\$31	(\$16)	(51.0%)	Principally driven by lower 2013 product initiatives spending
Adjusted Free Cash Flow ⁽¹⁾	\$116	\$120	(\$4)	(3.3%)	Reduced cash flow from operations partially offset by reduced capital spending

(\$ in millions)	Q3 2013	Q3 2012	\$ Variance	% Variance	Commentary
Operating Working Capital ⁽²⁾ Percentage of LTM Sales	10.4%	9.9%	N/A	50 bps	Principally driven by decreased LTM Sales and 2012 labor negotiations preparation
Cash Paid for Interest	\$33	\$32	\$1	4.7%	Principally driven by adjusted margins due to refinancing and debt repayments
Cash Paid for Income Taxes	\$1	\$3	(\$2)	(80.8%)	Decreased outside North America taxable income

(1) See Appendix for a reconciliation of Adjusted Free Cash Flow.

(2) Operating Working Capital = A/R + Inventory – A/P.

Full Year 2013 Guidance Update



	Guidance	Commentary
Net Sales (\$ in millions)	\$1,920 to \$1,935	We expect net sales to stabilize on a year-over-year basis, an improvement relative to the sales decline through the first three quarters of the year. We continue to anticipate improving trends in the fourth quarter of 2013 which we expect to be driven by growth in global On-Highway and Service Parts, Support Equipment & Other end markets, and abating year-over-year declines in the North America Off-Highway and North America Hybrid-Propulsion Systems for Transit Bus end markets.
Adjusted EBITDA excluding technology-related license expenses (\$ in millions)	\$630 to \$640	
Adjusted EBITDA Margin excluding technology-related license expenses	32.75 to 33.25 percent	
Adjusted Free Cash Flow (\$ in millions)	\$340 to \$360	
CapEx (\$ in millions) Maintenance New Product Programs	\$63 to \$66 \$12 to \$14	Subject to timely completion of development and sourcing milestones
Cash Income Taxes (\$ in millions)	\$8 to \$12	U.S. income tax shield and net operating loss utilization

APPENDIX

Non-GAAP Financial Information

Adjusted Net Income and Adjusted EBITDA reconciliation

\$ in millions, Unaudited	For the year ended December 31,				Three months ended September 30,		Last twelve months ended September 30,
	2009	2010	2011	2012	2012	2013	2013
Net (loss) income	(\$323.9)	\$29.6	\$103.0	\$514.2	\$32.2	\$44.5	\$133.7
plus:							
Interest expense, net	234.2	277.5	217.3	151.2	40.8	37.3	140.1
Cash interest expense	(242.5)	(239.1)	(208.6)	(167.3)	(31.8)	(33.3)	(159.6)
Income tax expense (benefit)	41.4	53.7	47.6	(298.0)	17.0	27.9	86.0
Cash income taxes	(5.5)	(2.2)	(5.8)	(10.7)	(2.6)	(0.5)	(5.2)
Fee to terminate services agreement with Sponsors	—	—	—	16.0	—	—	—
Technology-related investment expenses	—	—	—	14.4	6.4	—	2.5
Public offering expenses	—	—	—	6.1	—	0.3	0.9
Trade name impairment	190.0	—	—	—	—	—	—
Amortization of intangible assets	155.9	154.2	151.9	150.0	37.5	25.1	117.6
Adjusted net income	\$49.6	\$273.7	\$305.4	\$375.9	\$99.5	\$101.3	\$316.0
Cash interest expense	242.5	239.1	208.6	167.3	31.8	33.3	159.6
Cash income taxes	5.5	2.2	5.8	10.7	2.6	0.5	5.2
Depreciation of property, plant and equipment	105.9	99.6	103.8	102.5	26.1	24.4	100.6
(Gain)/loss on repurchases of long-term debt	(8.9)	(3.3)	16.0	22.1	0.5	0.5	1.0
Dual power inverter module extended coverage	11.4	(1.9)	—	9.4	—	(2.4)	(2.4)
UAW Local 933 signing bonus	—	—	—	8.8	—	—	8.8
Benefit plan re-measurement	—	—	—	2.3	—	—	—
Unrealized (gain) loss on commodity hedge contracts	(5.8)	0.3	6.5	(1.0)	(2.1)	(0.8)	1.0
Unrealized (gain) loss on foreign exchange	—	(0.2)	0.3	0.1	0.0	1.8	2.6
Premiums and expenses on tender offer for long-term debt	—	—	56.9	—	—	—	—
Restructuring charges	47.9	—	—	—	—	—	1.0
Reduction of supply contract liability	—	(3.4)	—	—	—	—	—
Other, net ⁽¹⁾	53.2	10.9	8.6	7.0	1.1	3.0	12.4
Adjusted EBITDA	\$501.3	\$617.0	\$711.9	\$705.1	\$159.5	\$161.6	\$605.8
Adjusted EBITDA excluding technology-related license expenses	\$501.3	\$617.0	\$711.9	\$717.1	\$171.5	\$161.6	\$611.8
Net Sales	\$1,766.7	\$1,926.3	\$2,162.8	\$2,141.8	\$493.5	\$466.3	\$1,922.8
Adjusted EBITDA margin	28.4%	32.0%	32.9%	32.9%	32.3%	34.7%	31.5%
Adjusted EBITDA margin excl technology-related license expenses	28.4%	32.0%	32.9%	33.5%	34.8%	34.7%	31.8%

(1) Includes charges or income related to legacy employee benefits, shared income with General Motors, benefit plan adjustments, transitional costs to establish Allison as a stand-alone entity, pension curtailment adjustments, employee stock compensation expense, service fees paid to Allison's Sponsors and an adjustment for the settlement of litigation which originated with the Predecessor but was assumed by the Company as part of the Acquisition Transaction.

Adjusted Free Cash Flow reconciliation

\$ in millions, Unaudited	For the year ended December 31,				Three months ended September 30,		Last twelve months ended September 30,
	2009	2010	2011	2012	2012	2013	2013
Net Cash Provided by Operating Activities	\$168.7	\$388.9	\$469.2	\$497.5	\$138.9	\$131.0	\$427.5
(Deductions) or Additions:							
Long-lived assets	(88.2)	(73.8)	(96.9)	(123.9)	(31.4)	(15.4)	(71.2)
Fee to terminate services agreement with Sponsors	—	—	—	16.0	—	—	—
Technology-related license expenses	—	—	—	12.0	12.0	—	6.0
2009 Non-Recurring Activity ⁽¹⁾	61.0	—	—	—	—	—	—
Adjusted Free Cash Flow	\$141.5	\$315.1	\$372.3	\$401.6	\$119.5	\$115.6	\$362.3
Net Sales	\$1,766.7	\$1,926.3	\$2,162.8	\$2,141.8	\$493.5	\$466.3	\$1,922.8
Adjusted Free Cash Flow (% to Net Sales)	8.0%	16.4%	17.2%	18.8%	24.2%	24.8%	18.8%

(1) 2009 adjusted for certain non-recurring activity: (a) capitalized accrued interest on Senior Toggle Notes (\$29) million, (b) cash restructuring charge \$51 million, (c) accounts payable early payments \$3 million, (d) delayed accounts receivable receipts \$19 million and (e) Lehman LIBOR swap settlement \$17 million.