
**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) July 27, 2015

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 July 27, 2015, Allison Transmission Holdings, Inc. (“Allison”) published an earnings release reporting its financial results for the three months ended June 30, 2015. 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 July 28, 2015 at 8:00 a.m. ET on which its financial results for the three months ended June 30, 2015 will be discussed. The investor presentation materials that will be used for the call are attached as Exhibit 99.2 hereto.

On July 27, 2015, 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 July 27, 2015.
99.2	Investor presentation materials dated July 27, 2015.

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.

Allison Transmission Holdings, Inc.

Date: July 27, 2015

By: /s/ Eric C. Scroggins

Name: Eric C. Scroggins

Title: Vice President, General Counsel and Secretary

EXHIBIT INDEX

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Allison Transmission Announces Second Quarter 2015 Results

Net Sales \$511 million, Adjusted Net Income \$98 million, Adjusted EBITDA \$186 million, Adjusted Free Cash Flow \$140 million or \$0.78 per Diluted Share

INDIANAPOLIS, July 27, 2015 – Allison Transmission Holdings Inc. (NYSE: ALSN), the largest global provider of commercial duty fully-automatic transmissions, today reported net sales for the second quarter of \$511 million, a 5 percent decrease from the same period in 2014. The decrease in net sales was principally driven by lower demand in the global Off-Highway and Defense end markets partially offset by the continued recovery in the North America On-Highway end market, higher demand in the Outside North America On-Highway end market and price increases on certain products.

Adjusted Net Income, a non-GAAP financial measure, for the quarter was \$98 million, compared to Adjusted Net Income of \$117 million for the same period in 2014, a decrease of \$19 million. Adjusted EBITDA, a non-GAAP financial measure, for the quarter was \$186 million, or 36.3 percent of net sales, compared to \$186 million, or 34.7 percent of net sales, for the same period in 2014. Adjusted Free Cash Flow, a non-GAAP financial measure, for the quarter was \$140 million, or \$0.78 per diluted share, compared to \$135 million for the same period in 2014, or \$0.74 per diluted share.

Lawrence E. Dewey, Chairman, President and Chief Executive Officer of Allison Transmission commented, “Our second quarter 2015 results are within the full year guidance ranges we provided to the market on April 27. Net sales in the North America On-Highway end market improved on a year-over-year basis for the eighth consecutive quarter. During the second quarter Allison experienced the unfavorable impact of lower energy and commodity prices in the global Off-Highway and Service Parts, Support Equipment & Other end markets. Given that these end markets continue to exhibit an elevated level of uncertainty and a dearth of near-term visibility we are updating our full year net sales guidance to a decrease in the range of 6 to 8 percent year-over-year. Allison continued its prudent and well-defined approach to capital allocation during the second quarter by settling \$79 million of share repurchases, paying a dividend of \$0.15 per share, repaying \$54 million of debt and completing a refinancing of the Senior Notes due 2019.”

Second Quarter Net Sales by End Market

End Market	Q2 2015 Net Sales (\$M)	Q2 2014 Net Sales (\$M)	% Variance
North America On-Highway	277	243	14%
North America Hybrid-Propulsion Systems for Transit Bus	20	28	(29%)
North America Off-Highway	10	23	(57%)
Defense	29	49	(41%)
Outside North America On-Highway	73	62	18%
Outside North America Off-Highway	8	24	(67%)
Service Parts, Support Equipment & Other	94	107	(12%)
Total Net Sales	511	536	(5%)

Second Quarter Highlights

North America On-Highway end market net sales were up 14 percent from the same period in 2014 principally driven by higher demand for Rugged Duty Series and Highway Series models and up 3 percent on a sequential basis principally driven by higher demand for Pupil Transport / Shuttle Series and Highway Series models.

North America Hybrid-Propulsion Systems for Transit Bus end market net sales were down 29 percent from the same period in 2014 principally driven by lower demand due to engine emissions improvements and non-hybrid alternatives that generally require a fully-automatic transmission (e.g. xNG) and up 11 percent sequentially principally driven by intra-year movement in the timing of orders.

North America Off-Highway end market net sales were down 57 percent from the same period in 2014 and down 55 percent on a sequential basis principally driven by lower demand from hydraulic fracturing applications.

Defense end market net sales were down 41 percent from the same period in 2014 principally driven by the recognition of previously deferred revenue in 2014 totaling \$16 million commensurate with the shipment of certain tracked transmissions at the request of the U.S. government and reductions in U.S. defense spending to longer term averages experienced during periods without active conflicts and up 16 percent sequentially principally driven by intra-year movement in the timing of orders.

Outside North America On-Highway end market net sales were up 18 percent from the same period in 2014 principally driven by higher demand in Europe, Japan and India, and up 28 percent on a sequential basis principally driven by higher demand in Europe, Japan and China.

Outside North America Off-Highway end market net sales were down 67 percent from the same period in 2014 and down 50 percent sequentially principally driven by lower demand in the energy and mining sectors.

Service Parts, Support Equipment & Other end market net sales were down 12 percent from the same period in 2014 and down 4 percent on a sequential basis principally driven by lower demand for North America service parts.

Gross profit for the quarter was \$236 million, a decrease of 1 percent from \$239 million for the same period in 2014. Gross margin for the quarter was 46.2 percent, an increase of 170 basis points from a gross margin of 44.5 percent for the same period in 2014. The decrease in gross profit from the same period in 2014 was principally driven by decreased sales volume partially offset by price increases on certain products, favorable material costs and lower incentive compensation expense.

Selling, general and administrative expenses for the quarter were \$76 million, a decrease of 11 percent from \$85 million for the same period in 2014, principally driven by favorable product warranty adjustments, lower incentive and stock based compensation expense, and reduced global commercial spending activities.

Engineering – research and development expenses for the quarter were \$23 million, an increase of \$2 million from \$21 million for the same period in 2014, principally driven by increased product initiatives spending partially offset by lower incentive compensation expense.

Second Quarter Non-GAAP Financial Measures

Adjusted Net Income for the quarter was \$98 million, compared to \$117 million for the same period in 2014, a decrease of \$19 million. The decrease was principally driven by \$25 million of premiums and expenses on the tender offer and redemption of long-term debt partially offset by decreased cash interest expense.

Adjusted EBITDA for the quarter was \$186 million, or 36.3 percent of net sales, compared to \$186 million, or 34.7 percent of net sales, for the same period in 2014. The decrease in net sales and increased product initiatives spending was offset by price increases on certain products, favorable material costs, favorable product warranty adjustments, lower incentive compensation expense and reduced global commercial spending activities.

Adjusted Free Cash Flow for the quarter was \$140 million compared to \$135 million for the same period in 2014, an increase of \$5 million. The increase was principally driven by increased net cash provided by operating activities partially offset by increased capital expenditures and decreased excess tax benefit from stock-based compensation.

Full Year 2015 Guidance Update

Our updated full year 2015 guidance includes a year-over-year net sales decrease in the range of 6 to 8 percent, an Adjusted EBITDA margin in the range of 34.75 to 35.75 percent and an Adjusted Free Cash Flow in the range of \$470 to \$500 million. Allison's updated net sales guidance reflects the elevated level of uncertainty and a dearth of near-term visibility in the global Off-Highway end markets. We are affirming the remaining guidance released to the market on April 27: capital expenditures in the range of \$60 to \$70 million and cash income taxes in the range of \$10 to \$15 million.

Although we are not providing specific third quarter 2015 guidance, Allison does expect third quarter net sales to be lower than the same period in 2014. The anticipated year-over-year decrease in third quarter net sales is expected to occur due to higher demand in the North America On-Highway end market being more than offset by lower demand in other end markets.

Conference Call and Webcast

The company will host a conference call at 8:00 a.m. ET on Tuesday, July 28 to discuss its second quarter 2015 results. Dial-in number is 1-201-689-8470 and the U.S. toll-free dial-in number is 1-877-407-9039. 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 11:00 a.m. ET on July 28 until 11:59 p.m. ET on August 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 13614517.

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 is a leader in 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 2,700 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 contains 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; labor strikes, work stoppages or similar labor disputes, which could significantly disrupt our operations or those of our principal customers; and other risks and uncertainties associated with our business described in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. 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

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net sales	\$ 511.0	\$ 536.1	\$ 1,014.6	\$ 1,029.7
Cost of sales	<u>274.7</u>	<u>297.6</u>	<u>539.1</u>	<u>568.7</u>
Gross profit	236.3	238.5	475.5	461.0
Selling, general and administrative expenses	75.6	85.1	149.0	168.3
Engineering - research and development	23.2	21.2	45.4	45.7
Loss associated with impairment of long-lived assets	<u>—</u>	<u>—</u>	<u>1.3</u>	<u>—</u>
Operating income	137.5	132.2	279.8	247.0
Interest expense, net	(23.1)	(36.6)	(60.0)	(71.7)
Premiums and expenses on tender offer and redemption of long-term debt	(25.1)	—	(25.1)	—
Other (expense) income, net	<u>(2.2)</u>	<u>(0.9)</u>	<u>0.6</u>	<u>(1.3)</u>
Income before income taxes	87.1	94.7	195.3	174.0
Income tax expense	<u>(32.7)</u>	<u>(37.5)</u>	<u>(72.5)</u>	<u>(64.7)</u>
Net income	<u>\$ 54.4</u>	<u>\$ 57.2</u>	<u>\$ 122.8</u>	<u>\$ 109.3</u>
Basic earnings per share attributable to common stockholders	\$ 0.30	\$ 0.32	\$ 0.68	\$ 0.61
Diluted earnings per share attributable to common stockholders	<u>\$ 0.30</u>	<u>\$ 0.31</u>	<u>\$ 0.68</u>	<u>\$ 0.59</u>

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

	June 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 216.8	\$ 263.0
Accounts receivables - net of allowance for doubtful accounts of \$0.6 and \$0.3, respectively	228.1	207.4
Inventories	155.3	143.5
Deferred income taxes, net	97.8	119.7
Other current assets	27.5	24.4
Total Current Assets	725.5	758.0
Property, plant and equipment, net	485.4	514.6
Intangible assets, net	3,404.4	3,453.0
Deferred income taxes, net	1.3	1.3
Other non-current assets	66.4	77.3
TOTAL ASSETS	<u>\$4,683.0</u>	<u>\$ 4,804.2</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 142.4	\$ 151.7
Current portion of long term debt	22.6	17.9
Other current liabilities	156.8	176.3
Total Current Liabilities	321.8	345.9
Long term debt	2,392.0	2,502.6
Other non-current liabilities	603.6	557.9
TOTAL LIABILITIES	3,317.4	3,406.4
TOTAL STOCKHOLDERS' EQUITY	<u>1,365.6</u>	<u>1,397.8</u>
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u>\$4,683.0</u>	<u>\$ 4,804.2</u>

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net cash provided by operating activities	\$ 153.6	\$ 143.4	\$ 233.7	\$ 242.0
Net cash used for investing activities (a)	(13.5)	(9.6)	(14.7)	(24.7)
Net cash used for financing activities	(186.8)	(167.4)	(272.4)	(273.1)
Effect of exchange rate changes in cash	(1.6)	0.4	7.2	(2.2)
Net decrease in cash and cash equivalents	(48.3)	(33.2)	(46.2)	(58.0)
Cash and cash equivalents at beginning of period	265.1	159.9	263.0	184.7
Cash and cash equivalents at end of period	<u>\$ 216.8</u>	<u>\$ 126.7</u>	<u>\$ 216.8</u>	<u>\$ 126.7</u>
Supplemental disclosures:				
Interest paid	\$ 35.1	\$ 39.2	\$ 53.6	\$ 68.6
Income taxes paid	\$ 1.4	\$ 1.0	\$ 3.9	\$ 3.1
(a) Additions of long-lived assets	\$ (13.6)	\$ (11.6)	\$ (14.9)	\$ (22.7)

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net income	\$ 54.4	\$ 57.2	\$ 122.8	\$ 109.3
plus:				
Interest expense, net	23.1	36.6	60.0	71.7
Cash interest expense	(35.1)	(39.2)	(53.6)	(68.6)
Income tax expense	32.7	37.5	72.5	64.7
Cash income taxes	(1.4)	(1.0)	(3.9)	(3.1)
Amortization of intangible assets	24.3	24.7	48.6	49.4
Loss associated with impairment of long-lived assets (a)	—	—	1.3	—
Public offering expenses (b)	—	0.8	—	1.1
Adjusted net income	\$ 98.0	\$ 116.6	\$ 247.7	\$ 224.5
Cash interest expense	35.1	39.2	53.6	68.6
Cash income taxes	1.4	1.0	3.9	3.1
Depreciation of property, plant and equipment	22.0	24.1	43.4	47.4
Premiums and expenses on tender offer and redemption of long-term debt (c)	25.1	—	25.1	—
Dual power inverter module extended coverage (d)	—	—	(1.8)	—
Unrealized loss (gain) on foreign exchange (e)	1.1	1.7	(1.2)	1.4
Loss on repayments of long-term debt (f)	—	—	0.2	—
Unrealized loss (gain) on commodity hedge contracts (g)	0.2	(1.2)	—	(1.1)
Restructuring charge (h)	—	0.7	—	0.7
Stock-based compensation expense (i)	2.6	4.0	4.7	7.3
Adjusted EBITDA	\$ 185.5	\$ 186.1	\$ 375.6	\$ 351.9
Adjusted EBITDA excluding technology-related license expenses (j)	<u>\$ 185.5</u>	<u>\$ 186.1</u>	<u>\$ 375.6</u>	<u>\$ 355.2</u>
Net sales	\$ 511.0	\$ 536.1	\$ 1,014.6	\$ 1,029.7
Adjusted EBITDA margin	36.3%	34.7%	37.0%	34.2%
Adjusted EBITDA margin excluding technology-related license expenses (j)	36.3%	34.7%	37.0%	34.5%
Net Cash Provided by Operating Activities (Deductions) or Additions to Reconcile to Adjusted Free Cash Flow:	\$ 153.6	\$ 143.4	\$ 233.7	\$ 242.0
Additions of long-lived assets	(13.6)	(11.6)	(14.9)	(22.7)
Excess tax benefit from stock-based compensation (k)	0.2	2.8	8.0	7.8
Technology-related license expenses (j)	—	—	—	3.3
Adjusted Free Cash Flow	<u>\$ 140.2</u>	<u>\$ 134.6</u>	<u>\$ 226.8</u>	<u>\$ 230.4</u>

- (a) Represents a charge associated with the impairment of long-lived assets related to the production of the H3000 and H4000 hybrid-propulsion systems.
- (b) Represents fees and expenses (recorded in Other (expense) income, net) related to our secondary offerings in June 2014, April 2014 and February 2014.
- (c) Represents premiums and expenses related to the tender offer and redemption of Allison Transmission, Inc.'s ("ATI"), our wholly owned subsidiary, 7.125% Senior Notes due 2019.
- (d) Represents an adjustment (recorded in Selling, general and administrative expenses) associated with the Dual Power Inverter Module ("DPIM") extended coverage program liability. The DPIM liability will continue to be reviewed for any changes in estimates as additional claims data and field information become available.
- (e) Represents loss (gains) (recorded in Other (expense) income, 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.
- (f) Represents losses (recorded in Other (expense) income, net) realized on the repayments of ATI's long-term debt.
- (g) Represents unrealized losses (gains) (recorded in Other (expense) income, net) on the mark-to-market of our commodity hedge contracts.
- (h) Represents a charge (recorded in Selling, general and administrative, and Engineering - research and development) related to employee headcount reductions in the second quarter of 2014.
- (i) Represents employee stock compensation expense (recorded in Cost of sales, Selling, general and administrative expenses, and Engineering – research and development).
- (j) Represents payments (recorded in Engineering – research and development) for licenses to expand our position in transmission technologies.
- (k) Represents the amount of tax benefit (recorded in Income tax expense) related to stock-based compensation adjusted from cash flows from operating activities to cash flows from financing activities.

Q2 2015 Earnings Release

Published July 27, 2015 (Earnings Conference Call July 28, 2015)

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



Safe Harbor Statement

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: 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; risks related to our substantial indebtedness; 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 and other external factors impacting demand 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 Annual Report on Form 10-K for the year ended December 31, 2014.



Non-GAAP Financial Information

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, 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, 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.

Call Agenda

- **Q2 2015 Performance**
- **Full Year 2015 Guidance Update**

Q2 2015 Performance Summary

(\$ in millions)	Q2 2015	Q2 2014	% Variance
Net Sales	\$511	\$536	-4.7%
Gross Margin %	46.2%	44.5%	+170 bps
Adjusted Net Income ⁽¹⁾	\$98	\$117	-16.0%
Adjusted Free Cash Flow ⁽¹⁾	\$140	\$135	4.2%

Commentary

Net Sales: the decrease was principally driven by lower demand in the global Off-Highway and Defense end markets partially offset by the continued recovery in the North America On-Highway end market, higher demand in the Outside On-Highway North America end market and price increases on certain products.

Gross Margin: the increase was principally driven by price increases on certain products and favorable material costs.

Adjusted Net Income: the decrease was principally driven by \$25 million of premiums and expenses on the tender offer and redemption of long-term debt partially offset by decreased cash interest expense.

Adjusted Free Cash Flow: the increase was principally driven by increased net cash provided by operating activities partially offset by increased capital expenditures and decreased excess tax benefit from stock-based compensation.

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



Q2 2015 Sales Performance

(\$ in millions)

End Markets	Q2 2015	Q2 2014	% Variance	Commentary
North America On-Hwy	\$277	\$243	14%	Principally driven by higher demand for Rugged Duty Series and Highway Series models
North America Hybrid-Propulsion Systems for Transit Bus	\$20	\$28	(29%)	Principally driven by lower demand due to engine emissions improvements and non-hybrid alternatives that generally require a fully-automatic transmission (e.g. xNG)
North America Off-Hwy	\$10	\$23	(57%)	Principally driven by lower demand from hydraulic fracturing applications
Defense	\$29	\$49	(41%)	Principally driven by the recognition of previously deferred tracked transmissions revenue in 2014 totaling \$16 million and reductions in U.S. defense spending to longer term averages experienced during periods without active conflicts
Outside North America On-Hwy	\$73	\$62	18%	Principally driven by higher demand in Europe, Japan and India
Outside North America Off-Hwy	\$8	\$24	(67%)	Principally driven by lower demand in the energy and mining sectors
Service Parts, Support Equipment & Other	\$94	\$107	(12%)	Principally driven by lower demand for North America service parts
Total	\$511	\$536	(5%)	

Q2 2015 Financial Performance

(\$ in millions, except share data)	Q2 2015	Q2 2014	\$ Var	% Var	Commentary
Net Sales	\$511.0	\$536.1	(\$25.1)	(4.7%)	Decrease was principally driven by lower demand in the global Off-Highway and Defense end markets partially offset by the continued recovery in the North America On-Highway end market, higher demand in the Outside North America On-Highway end market and price increases on certain products
Cost of Sales	\$274.7	\$297.6	\$22.9	7.7%	
Gross Profit	\$236.3	\$238.5	(\$2.2)	(0.9%)	Decrease principally driven by decreased sales volume partially offset by price increases on certain products, favorable material costs and lower incentive compensation expense
Operating Expenses					
Selling, General and Administrative Expenses	\$75.6	\$85.1	\$9.5	11.2%	Decrease principally driven by favorable product warranty adjustments, lower incentive and stock based compensation, and reduced global commercial spending activities
Engineering – Research and Development	\$23.2	\$21.2	(\$2.0)	(9.4%)	Increase principally driven by increased product initiatives spending partially offset by lower incentive compensation
Total Operating Expenses	\$98.8	\$106.3	\$7.5	7.1%	
Operating Income	\$137.5	\$132.2	\$5.3	4.0%	
Interest Expense, net	(\$23.1)	(\$36.6)	\$13.5	36.9%	Decrease principally driven by the expiration of certain LIBOR swaps and debt repayments and refinancing
Premiums and expenses on tender offer and redemption of long-term debt	(\$25.1)	\$0.0	(\$25.1)	N/A	Refinanced 7.125% Senior Notes with additional Term B-3 Loan borrowing
Other Expense, net	(\$2.2)	(\$0.9)	(\$1.3)	(144.4%)	
Income Before Income Taxes	\$87.1	\$94.7	(\$7.6)	(8.0%)	
Income Tax Expense	(\$32.7)	(\$37.5)	\$4.8	12.8%	Change in effective tax rate principally driven by the change in discrete activity
Net Income	\$54.4	\$57.2	(\$2.8)	(4.9%)	
Diluted Earnings Per Share	\$0.30	\$0.31	(\$0.01)	(3.2%)	Q2 2015: 179.6M shares; Q2 2014: 181.6M shares
Adjusted Net Income⁽¹⁾	\$98.0	\$116.6	(\$18.6)	(16.0%)	
Adjusted EBITDA⁽¹⁾	\$185.5	\$186.1	(\$0.6)	(0.3%)	

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



Q2 2015 Cash Flow Performance

(\$ in millions)	Q2 2015	Q2 2014	\$ Variance	% Variance	Commentary
Net Cash Provided by Operating Activities	\$154	\$143	\$11	7.1%	Principally driven by price increases on certain products, favorable material costs, lower product warranty expense, lower incentive compensation expense and decreased global commercial spending activities partially offset by decreased net sales, increased product initiatives spending, and lower accounts payable commensurate with decreased net sales
CapEx	\$14	\$12	\$2	17.2%	Principally driven by timing of 2015 productivity and replacement programs spending
Adjusted Free Cash Flow ⁽¹⁾	\$140	\$135	\$5	4.2%	Principally driven by increased net cash provided by operating activities partially offset by increased capital expenditures and decreased excess tax benefit from stock-based compensation
(\$ in millions)	Q2 2015	Q2 2014	\$ Variance	% Variance	Commentary
Operating Working Capital ⁽²⁾ Percentage of LTM Sales	11.4%	11.2%	N/A	20 bps	In line with prior period
Cash Paid for Interest	\$35	\$39	(\$4)	(10.5%)	Principally driven by expiration of certain LIBOR swaps, and debt repayments and refinancing
Cash Paid for Income Taxes	\$1	\$1	\$0	40%	In line with prior period

- (1) See Appendix for a reconciliation of Adjusted Free Cash Flow.
(2) Operating Working Capital = A/R + Inventory – A/P.



Full Year 2015 Guidance Update

	Guidance	Commentary
Net Sales Change from 2014	(6) to (8) percent	Guidance reflects the elevated level of uncertainty and a dearth of near-term visibility in the global Off-Highway and Service Parts, Support Equipment & Other end markets
Adjusted EBITDA Margin	34.75 to 35.75 percent	Principally driven by Net Sales and the execution of several initiatives to align costs and programs across our business with challenging end markets demand conditions
Adjusted Free Cash Flow (\$ in millions)	\$470 to \$500	\$2.60 to \$2.80 per diluted share
CapEx (\$ in millions) Maintenance New Product Programs	\$60 to \$65 \$0 to \$5	Subject to timely completion of development and sourcing milestones
Cash Income Taxes (\$ in millions)	\$10 to \$15	U.S. income tax shield and net operating loss utilization

APPENDIX

Non-GAAP Financial Information



Non-GAAP Reconciliations (1 of 2)

Adjusted Net Income and Adjusted EBITDA reconciliation

\$ in millions, Unaudited	For the year ended December 31,					Three months ended June 30,		Last twelve months ended June 30,
	2010	2011	2012	2013	2014	2014	2015	2015
Net income	\$29.6	\$103.0	\$514.2	\$165.4	\$228.6	\$57.2	\$54.4	\$242.1
plus:								
Interest expense, net	277.5	217.3	151.2	132.9	138.4	36.6	23.1	126.7
Cash interest expense, net	(239.1)	(208.6)	(167.3)	(159.2)	(140.0)	(39.2)	(35.1)	(125.0)
Income tax expense (benefit)	53.7	47.6	(298.0)	100.7	139.5	37.5	32.7	147.3
Cash income taxes	(2.2)	(5.8)	(10.7)	(3.8)	(5.0)	(1.0)	(1.4)	(5.8)
Fee to terminate services agreement with Sponsors	—	—	16.0	—	—	—	—	—
Technology-related investment expenses	—	—	14.4	5.0	2.0	—	—	2.0
Public offering expenses	—	—	6.1	1.6	1.4	0.8	—	0.3
Impairments	—	—	—	—	15.4	—	—	16.7
Amortization of intangible assets	154.2	151.9	150.0	105.3	98.8	24.7	24.3	98.0
Adjusted net income	\$273.7	\$305.4	\$375.9	\$347.9	\$479.1	\$116.6	\$98.0	\$502.3
Cash interest expense	239.1	208.6	167.3	159.2	140.0	39.2	35.1	125.0
Cash income taxes	2.2	5.8	10.7	3.8	5.0	1.0	1.4	5.8
Depreciation of property, plant and equipment	99.6	103.8	102.5	98.7	93.8	24.1	22.0	89.8
(Gain)/loss on redemptions and repayments of long-term debt	(3.3)	16.0	22.1	0.8	0.5	—	—	0.7
Dual power inverter module extended coverage	(1.9)	—	9.4	(2.4)	1.0	—	—	(0.8)
UAW Local 933 signing bonus	—	—	8.8	—	—	—	—	—
Benefit plan re-measurement	—	—	2.3	—	—	—	—	—
Unrealized loss (gain) on commodity hedge contracts	0.3	6.5	(1.0)	1.5	(1.0)	(1.2)	0.2	0.1
Unrealized (gain) loss on foreign exchange	(0.2)	0.3	0.1	2.3	5.2	1.7	1.1	2.6
Premiums and expenses on tender offer and redemption of long-term debt	—	56.9	—	—	—	—	25.1	25.1
Restructuring charges	—	—	—	1.0	0.7	0.7	—	—
Reduction of supply contract liability	(3.4)	—	—	—	—	—	—	—
Other, net ⁽¹⁾	10.9	8.6	7.0	13.8	14.7	4.0	2.6	12.1
Adjusted EBITDA	\$617.0	\$711.9	\$705.1	\$626.6	\$739.0	\$186.1	\$185.5	\$762.7
Adjusted EBITDA excluding technology-related license expenses	\$617.0	\$711.9	\$717.1	\$632.6	\$745.1	\$186.1	\$185.5	\$765.5
Net Sales	\$1,926.3	\$2,162.8	\$2,141.8	\$1,926.8	\$2,127.4	\$536.1	\$511.0	\$2,112.3
Adjusted EBITDA margin	32.0%	32.9%	32.9%	32.5%	34.7%	34.7%	36.3%	36.1%
Adjusted EBITDA margin excl technology-related license expenses	32.0%	32.9%	33.5%	32.8%	35.0%	34.7%	36.3%	36.2%

(1) Includes charges or income related to benefit plan 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.



Non-GAAP Reconciliations (2 of 2)

Adjusted Free Cash Flow reconciliation

\$ in millions, Unaudited	For the year ended December 31,					Three months ended June 30,		Last twelve months ended June 30,
	2010	2011	2012	2013	2014	2014	2015	2015
Net Cash Provided by Operating Activities	\$388.9	\$469.2	\$497.5	\$453.5	\$556.9	\$143.4	\$153.6	\$548.6
(Deductions) or Additions:								
Long-lived assets	(73.8)	(96.9)	(123.9)	(74.4)	(64.1)	(11.6)	(13.6)	(56.3)
Fee to terminate services agreement with Sponsors	—	—	16.0	—	—	—	—	—
Technology-related license expenses	—	—	12.0	6.0	6.1	—	—	2.8
Excess tax benefit from stock-based compensation	—	—	5.3	13.7	24.6	2.8	0.2	24.8
Adjusted Free Cash Flow	\$315.1	\$372.3	\$406.9	\$398.8	\$523.5	\$134.6	\$140.2	\$519.9
Net Sales	\$1,926.3	\$2,162.8	\$2,141.8	\$1,926.8	\$2,127.4	\$536.1	\$511.0	\$2,112.3
Adjusted Free Cash Flow (% to Net Sales)	16.4%	17.2%	19.0%	20.7%	24.6%	25.1%	27.4%	24.6%