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 24, 2016

ALLISON TRANSMISSION HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	001-35456	26-0414014
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

One Allison Way, Indianapolis, Indiana	46222
(Address of principal executive offices)	(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))

Item 2.02 Results of Operations and Financial Condition.

On October 24, 2016, Allison Transmission Holdings, Inc. ("Allison") published an earnings release reporting its financial results for the three months ended September 30, 2016. 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 October 25, 2016 at 8:00 a.m. ET on which its financial results for the three months ended September 30, 2016 will be discussed. The investor presentation materials that will be used for the call are attached as Exhibit 99.2 hereto.

On October 24, 2016, 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.

Exhibit Number	Description
99.1	Earnings release dated October 24, 2016.
99.2	Investor presentation materials dated October 24, 2016.

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: October 24, 2016

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 24, 2016.
99.2	Investor presentation materials dated October 24, 2016.

Exhibit 99.1

Allison Transmission

News Release

Allison Transmission Announces Third Quarter 2016 Results

- **Net Sales $434 million, Net Income $45 million, Adjusted EBITDA $151 million, Net Cash Provided by Operating Activities $128 million, Adjusted Free Cash Flow $116 million**

INDIANAPOLIS, October 24, 2016 – Allison Transmission Holdings Inc. (NYSE: ALSN), the largest global provider of commercial duty fully-automatic transmissions, today reported net sales for the third quarter of $434 million, a 12 percent decrease from the same period in 2015. The decrease in net sales was principally driven by lower demand in the North America On-Highway and Off-Highway end markets partially offset by stronger demand in the Outside North America On-Highway end market.

Net Income for the quarter was $45 million compared to $47 million for the same period in 2015. Adjusted EBITDA, a non-GAAP financial measure, for the quarter was $151 million, or 34.7 percent of net sales, compared to $174 million, or 35.3 percent of net sales, for the same period in 2015. Net Cash Provided by Operating Activities for the quarter was $128 million compared to $162 million for the same period in 2015. Adjusted Free Cash Flow, a non-GAAP financial measure, for the quarter was $116 million compared to $148 million for the same period in 2015.

Lawrence E. Dewey, Chairman and Chief Executive Officer of Allison Transmission commented, “Allison’s third quarter 2016 results are within the full year guidance ranges we provided to the market on July 27. The year-over-year reductions in the North America On-Highway and Off-Highway, and Service Parts, Support Equipment & Other end markets net sales are consistent with tempering demand conditions in the North America On-Highway end market and the previously contemplated impact of low energy prices. Allison continued to demonstrate solid operating margins and free cash flow while executing its prudent and well-defined approach to capital structure and allocation. During the third quarter, we settled $77 million of share repurchases, paid a dividend of $0.15 per share and refinanced our long-term debt. Given third quarter 2016 results and current end market conditions we are updating our full year net sales guidance to a decrease in the range of 8.5% to 9.5% year-over-year.”

Third Quarter Net Sales by End Market

End Market	Q3 2016 Net Sales ($M)	Q3 2015 Net Sales ($M)	% Variance
North America On-Highway	224	262	(15%)
North America Hybrid-Propulsion Systems for Transit Bus	8	12	(33%)
North America Off-Highway	1	12	(92%)
Defense	25	34	(26%)
Outside North America On-Highway	78	67	16%
Outside North America Off-Highway	2	4	(50%)
Service Parts, Support Equipment & Other	96	102	(6%)
Total Net Sales	434	493	(12%)

Third Quarter Highlights

North America On-Highway end market net sales were down 15 percent from the same period in 2015 principally driven by lower demand for Rugged Duty Series, Highway Series and Pupil Transport/Shuttle models partially offset by higher demand for Transit/Other Bus models and down 15 percent on a sequential basis principally driven by lower demand for Rugged Duty Series, Pupil Transport/Shuttle Series and Highway Series models partially offset by higher demand for Transit/Other Bus models.

North America Hybrid-Propulsion Systems for Transit Bus end market net sales were down 33 percent from the same period in 2015 and down 50 percent sequentially principally driven by lower demand due to engine emissions improvements and other alternative technologies.

North America Off-Highway end market net sales were down 92 percent from the same period in 2015 and flat on a sequential basis principally driven by the previously contemplated impact of low energy prices.

Defense end market net sales were down 26 percent from the same period in 2015 principally driven by lower demand for Tracked Defense partially offset by higher demand for Wheeled Defense and down 11 percent sequentially principally driven by lower demand for Tracked Defense.

Outside North America On-Highway end market net sales were up 16 percent from the same period in 2015 principally driven by higher demand in Europe and Japan partially offset by lower demand in China and up 5 percent on a sequential basis principally driven by higher demand in Europe.

Outside North America Off-Highway end market net sales were down 50 percent from the same period in 2015 and down 33 percent sequentially principally driven by lower demand in the mining sector.

Service Parts, Support Equipment & Other end market net sales were down 6 percent from the same period in 2015 principally driven by lower demand for North America service parts and up 8 percent on a sequential basis principally driven by higher demand for global service parts.

Gross profit for the quarter was $205 million, a decrease of 13 percent from $236 million for the same period in 2015. Gross margin for the quarter was 47.1 percent, a decrease of 80 basis points from a gross margin of 47.9 percent for the same period in 2015. The decrease in gross profit from the same period in 2015 was principally driven by decreased net sales partially offset by lower manufacturing expense commensurate with decreased net sales and favorable material costs.

Selling, general and administrative expenses for the quarter were $80 million, a decrease of $7 million from $87 million for the same period in 2015. The decrease was principally driven by unfavorable product warranty adjustments in 2015 partially offset by higher incentive compensation expense.

Engineering – research and development expenses for the quarter were $21 million, a decrease of $3 million from $24 million for the same period in 2015. The decrease was principally driven by the cadence of certain product initiatives.

Net income for the quarter was $45 million compared to $47 million for the same period in 2015. The decrease was principally driven by decreased gross profit, expensing previously recorded deferred financing costs as a result of the long-term debt refinancing in 2016 and higher incentive compensation expense partially offset by the environmental remediation expenses charge in 2015, favorable mark-to-market adjustments for our interest rate derivatives, unfavorable product warranty adjustments in 2015 and decreased engineering – research and development expense.

Third Quarter Non-GAAP Financial Measures

Adjusted EBITDA for the quarter was $151 million, or 34.7 percent of net sales, compared to $174 million, or 35.3 percent of net sales, for the same period in 2015. The decrease was principally driven by decreased net sales and higher incentive compensation expense partially offset by unfavorable product warranty adjustments in 2015, lower manufacturing expense commensurate with decreased net sales, decreased engineering – research and development expense and favorable material costs.

Adjusted Free Cash Flow for the quarter was $116 million compared to $148 million for the same period in 2015, a decrease of $32 million. The decrease was principally driven by decreased net sales and increased operating working capital partially offset by increased excess tax benefit from stock-based compensation and decreased capital expenditures.

Full Year 2016 Guidance Update

Our updated full year 2016 guidance includes a year-over-year net sales decrease in the range of 8.5 to 9.5 percent, an Adjusted EBITDA margin in the range of 34.0 to 35.0 percent, an Adjusted Free Cash Flow in the range of $435 to $455 million and capital expenditures in the range of $70 to $75 million. We are affirming the remaining guidance released to the market on July 27: cash income taxes in the range of $10 to $15 million.

Although we are not providing specific fourth quarter 2016 guidance, Allison does expect fourth quarter net sales to be approximately flat sequentially and down from the same period in 2015.

Conference Call and Webcast

The company will host a conference call at 8:00 a.m. ET on Tuesday, October 25 to discuss its third quarter 2016 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 October 25 until 11:59 p.m. ET on November 1. The replay dial-in number is 1-844-512-2921 and the international replay dial-in number is 1-412-317-6671. The replay passcode is 13646318.

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 and other external factors impacting demand; 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.

This press release also contains forward-looking estimates of non-GAAP Adjusted EBITDA Margin and Adjusted Free Cash Flow for fiscal year 2016. We are unable to provide a reconciliation of our forward-looking estimate of non-GAAP Adjusted EBITDA Margin to a forward-looking estimate of GAAP Net Income because certain information needed to make a reasonable forward-looking estimate of GAAP Net Income is difficult to predict and estimate and is often dependent on future events which may be uncertain or outside of our control. These may include unanticipated charges related to asset impairments (fixed assets, investments, intangibles or goodwill) and unanticipated non-recurring items not reflective of ongoing operations. We are unable to provide a reconciliation of our forward-looking estimate of non-GAAP Adjusted Free Cash Flow to a forward-looking estimate of GAAP Net Cash Provided by Operating Activities because certain information needed to make a reasonable forward-looking estimate of GAAP Net Cash Provided by Operating Activities is difficult to predict and estimate and is often dependent on future events which may be uncertain or outside of our control. These may include the level of excess income tax benefit from share-based compensation and unanticipated non-recurring items.

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 September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Net sales	$ 434.3	$ 493.0	$ 1,371.3	$ 1,507.6
Cost of sales	229.6	256.9	724.8	796.0
Gross profit	204.7	236.1	646.5	711.6
Selling, general and administrative expenses	80.0	86.6	240.4	235.6
Engineering - research and development	20.7	23.6	64.3	69.0
Environmental remediation	—	14.0	—	14.0
Loss associated with impairment of long-lived assets	—	—	—	1.3
Operating income	104.0	111.9	341.8	391.7
Interest expense, net	(22.2)	(33.7)	(84.1)	(93.7)
Expenses related to long-term debt refinancing	(11.6)	(0.2)	(11.6)	(25.3)
Other income (expense), net	0.8	(4.2)	0.5	(3.6)
Income before income taxes	71.0	73.8	246.6	269.1
Income tax expense	(26.4)	(27.3)	(92.9)	(99.8)
Net income	$ 44.6	$ 46.5	$ 153.7	$ 169.3
Basic earnings per share attributable to common stockholders	$ 0.27	$ 0.27	$ 0.91	$ 0.95
Diluted earnings per share attributable to common stockholders	$ 0.27	$ 0.27	$ 0.91	$ 0.95

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

	September 30, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 164.7	$ 251.6
Accounts receivable - net of allowance for doubtful accounts of $0.5 and $0.4, respectively	202.8	195.0
Inventories	155.8	141.4
Other current assets	26.6	28.8
Total Current Assets	549.9	616.8
Property, plant and equipment, net	454.6	479.7
Intangible assets, net	3,206.5	3,275.8
Other non-current assets	28.3	36.1
TOTAL ASSETS	$ 4,239.3	$ 4,408.4
LIABILITIES		
Current Liabilities		
Accounts payable	$ 134.6	$ 126.2
Current portion of long-term debt	11.9	24.5
Other current liabilities	189.2	153.9
Total Current Liabilities	335.7	304.6
Long-term debt	2,148.8	2,352.7
Other non-current liabilities	638.1	562.5
TOTAL LIABILITIES	3,122.6	3,219.8
TOTAL STOCKHOLDERS’ EQUITY	1,116.7	1,188.6
TOTAL LIABILITIES & STOCKHOLDERS’ EQUITY	$ 4,239.3	$ 4,408.4

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

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Net cash provided by operating activities	$ 127.7	$ 162.4	$ 415.6	$ 405.1
Net cash used for investing activities (a)	(15.0)	(17.1)	(37.5)	(31.8)
Net cash used for financing activities	(312.8)	(212.8)	(465.8)	(485.2)
Effect of exchange rate changes in cash	0.4	(0.9)	0.8	(2.7)
Net decrease in cash and cash equivalents	(199.7)	(68.4)	(86.9)	(114.6)
Cash and cash equivalents at beginning of period	364.4	216.8	251.6	263.0
Cash and cash equivalents at end of period	$ 164.7	$ 148.4	$ 164.7	$ 148.4
Supplemental disclosures:				
Interest paid	$ 20.5	$ 21.8	$ 63.6	$ 75.4
Income taxes paid	$ 2.4	$ 1.1	$ 10.0	$ 5.0
(a) Additions of long-lived assets	$ (14.1)	$ (15.2)	$ (36.7)	$ (30.1)

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

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Net income (GAAP)	$ 44.6	$ 46.5	$ 153.7	$ 169.3
plus:				
Interest expense, net	22.2	33.7	84.1	93.7
Income tax expense	26.4	27.3	92.9	99.8
Amortization of intangible assets	23.0	24.3	69.4	72.9
Depreciation of property, plant and equipment	21.1	22.4	62.8	65.8
Expenses related to long-term debt refinancing (a)	11.6	0.2	11.6	25.3
Stock-based compensation expense (b)	2.1	2.5	6.4	7.2
Unrealized (gain) loss on foreign exchange (c)	(1.1)	2.8	0.7	1.6
Technology-related investment expense (d)	1.0	—	1.0	—
Unrealized (gain) loss on commodity hedge contracts (e)	(0.2)	0.7	(1.7)	0.7
Dual power inverter module extended coverage (f)	(0.2)	(0.3)	1.3	(2.1)
Environmental remediation (g)	—	14.0	—	14.0
Stockholder activism expenses (h)	—	—	3.7	—
Loss associated with impairment of long-lived assets (i)	—	—	—	1.3
Loss on repayments of long-term debt (j)	—	—	—	0.2
Adjusted EBITDA (Non-GAAP)	$150.5	$174.1	$ 485.9	$ 549.7
Net sales (GAAP)	$434.3	$493.0	$1,371.3	$1,507.6
Adjusted EBITDA margin (Non-GAAP)	34.7%	35.3%	35.4%	36.5%
Net Cash Provided by Operating Activities (GAAP)	$127.7	$162.4	$ 415.6	$ 405.1
(Deductions) or Additions to Reconcile to Adjusted Free Cash Flow:				
Additions of long-lived assets	(14.1)	(15.2)	(36.7)	(30.1)
Stockholder activism expenses (h)	0.1	—	3.7	—
Excess tax benefit from stock-based compensation (k)	1.8	0.2	2.1	8.2
Technology-related license expenses (l)	—	0.2	—	0.2
Adjusted Free Cash Flow (Non-GAAP)	$115.5	$147.6	$ 384.7	$ 383.4

(a) Represents expenses related to the refinancing of Allison Transmission, Inc.'s ("ATI"), our wholly owned subsidiary, Senior Secured Credit Facility in the third quarter of 2016 and ATI's tender offer and redemption of its 7.125% Senior Notes in the second quarter of 2015.

(b) Represents stock-based compensation expense (recorded in Cost of sales, Selling, general and administrative expenses, and Engineering – research and development).

(c) Represents (gains) losses (recorded in Other income (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.

(d) Represents a charge (recorded in Other income (expense), net) for investments in co-development agreements to expand our position in transmission technologies.

(e) Represents unrealized (gains) losses (recorded in Other income (expense), net) on the mark-to-market of our commodity hedge contracts.

(f) 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.

(g) Represents environmental remediation expenses for ongoing operating, monitoring and maintenance activities at our Indianapolis, Indiana manufacturing facilities as a result of the U.S. Environmental Protection Agency determining that we are responsible for future operating, monitoring and maintenance activities and that General Motors' environmental remediation activities, pursuant to the asset purchase agreement, were completed in the third quarter of 2015.

(h) Represents expenses of $3.7 million (recorded in Selling, general and administrative expenses) for the nine months ended September 30, 2016, and payments of $0.1 million and $3.7 million for the three months and nine months ended September 30, 2016, respectively, directly associated with stockholder activism activity including the notice, and subsequent withdrawal, of director nomination and governance proposals by Ashe Capital Management, LP.

(i) Represents a charge associated with the impairment of long-lived assets related to the production of the H3000 and H4000 hybrid-propulsion systems.

(j) Represents losses (recorded in Other income (expense), net) realized on the repayments of ATI's long-term debt.

(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.

(l) Represents payments (recorded in Engineering - research and development) for licenses to expand our position in transmission technologies.

Q3 2016 Earnings Release

Published October 24, 2016 (Earnings Conference Call October 25, 2016)

Lawrence Dewey, Chairman & Chief Executive Officer
David Graziosi, 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, 2015.

Non-GAAP Financial Information

We use Adjusted EBITDA and Adjusted EBITDA margin to measure our operating profitability. We believe that Adjusted EBITDA and Adjusted EBITDA margin provide management, investors and creditors with useful measures of the operational results of our business and increase the period-to-period comparability of our operating profitability and comparability with other companies. Adjusted EBITDA margin is also used in the calculation of management's incentive compensation program. The most directly comparable U.S. generally accepted accounting principles ("GAAP") measure to Adjusted EBITDA is Net income. Adjusted EBITDA is calculated as the earnings before interest expense, income tax expense, amortization of intangible assets, depreciation of property, plant and equipment and other adjustments as defined by our debt agreement. Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by net sales.

We use Adjusted free cash flow to evaluate the amount of cash generated by our business that, after the capital investment needed to maintain and grow our business and any mandatory debt service requirements, can be used for repayment of debt, stockholder distributions and strategic opportunities, including investing in our business and strengthening our balance sheet. We believe that Adjusted free cash flow enhances the understanding of the cash flows of our business for management, investors and creditors. Adjusted free cash flow is also used in the calculation of management's incentive compensation program. The most directly comparable GAAP measure to Adjusted free cash flow is Net cash provided by operating activities.

Call Agenda

- Q3 2016 Performance
- Full Year 2016 Guidance Update

Q3 2016 Performance Summary

($ in millions)	Q3 2016	Q3 2015	% Variance
Net Sales	$434	$493	(11.9%)
Gross Margin %	47.1%	47.9%	(80 bps)
Net Income	$45	$47	(4.1%)
Adjusted EBITDA(1)	$151	$174	(13.6%)
Adjusted Free Cash Flow (1)	$116	$148	(21.7%)

Commentary

Net Sales: decrease was principally driven by lower demand in the North America On-Highway and Off-Highway end markets partially offset by stronger demand in the Outside North America On-Highway end market.

Gross Margin: decrease was principally driven by decreased net sales partially offset by favorable material costs.

Net Income: decrease was principally driven by decreased gross profit, expensing previously recorded deferred financing costs as a result of the long-term debt refinancing in 2016 and higher incentive compensation expense partially offset by the environmental remediation expenses charge in 2015, favorable mark-to-market adjustments for our interest rate derivatives, unfavorable product warranty adjustments in 2015 and decreased engineering – research and development expenses driven by the cadence of certain product initiatives.

Adjusted EBITDA: decrease was principally driven by decreased net sales and higher incentive compensation expense partially offset by unfavorable product warranty adjustments in 2015, lower manufacturing expense commensurate with decreased net sales, decreased engineering – research and development expenses and favorable material costs.

Adjusted Free Cash Flow: decrease was principally driven by decreased net sales and increased Operating Working Capital(2) partially offset by increased excess tax benefit from stock-based compensation and decreased capital expenditures.

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

Q3 2016 Sales Performance

($ in millions)

End Markets	Q3 2016	Q3 2015	% Variance	Commentary
North America On-Hwy	$224	$262	(15%)	Principally driven by lower demand for Rugged Duty Series, Highway Series and Pupil Transport/Shuttle models partially offset by higher demand for Transit/Other Bus models
North America Hybrid-Propulsion Systems for Transit Bus	$8	$12	(33%)	Principally driven by lower demand due to engine emissions improvements and other alternative technologies
North America Off-Hwy	$1	$12	(92%)	Principally driven by the previously contemplated impact of low energy prices
Defense	$25	$34	(26%)	Principally driven by lower demand for Tracked Defense partially offset by higher demand for Wheeled Defense
Outside North America On-Hwy	$78	$67	16%	Principally driven by higher demand in Europe and Japan partially offset by lower demand in China
Outside North America Off-Hwy	$2	$4	(50%)	Principally driven by lower demand in the mining sector
Service Parts, Support Equipment & Other	$96	$102	(6%)	Principally driven by lower demand for North America service parts
Total	**$434**	**$493**	**(12%)**	

Q3 2016 Financial Performance

($ in millions, except share data)	Q3 2016	Q3 2015	$ Var	% Var	Commentary
Net Sales	$434.3	$493.0	($58.7)	(11.9%)	Decrease was principally driven by lower demand in the North America On-Highway and Off-Highway end markets partially offset by stronger demand in the Outside North America On-Highway end market
Cost of Sales	$229.6	$256.9	$27.3	10.6%	
Gross Profit	$204.7	$236.1	($31.4)	(13.3%)	Decrease was principally driven by decreased net sales partially offset by lower manufacturing expense commensurate with decreased net sales and favorable material costs
Operating Expenses					
Selling, General and Administrative Expenses	$80.0	$86.6	$6.6	7.6%	Decrease was principally driven by unfavorable product warranty adjustments in 2015 partially offset by higher incentive compensation expense
Engineering – Research and Development	$20.7	$23.6	$2.9	12.3%	Decrease was principally driven by the cadence of certain product initiatives
Environmental Remediation	$0.0	$14.0	$14.0	100.0%	Expenses charge in 2015 pursuant to the 2007 asset purchase agreement with General Motors
Total Operating Expenses	$100.7	$124.2	$23.5	18.9%	
Operating Income	$104.0	$111.9	($7.9)	(7.1%)	
Interest Expense, net	($22.2)	($33.7)	$11.5	34.1%	Decrease principally driven by favorable mark-to-market adjustments for our interest rate derivatives
Expenses Related to Long-Term Debt Refinaning	($11.6)	($0.2)	($11.4)	(5700.0%)	Increase driven by expensing previously recorded deferred financing costs as a result of the long-term debt refinancing completed in September 2016
Other Income (Expense), net	$0.8	($4.2)	$5.0	119.0%	Change principally driven by foreign exchange gains on intercompany financing and gains on derivative contracts
Income Before Income Taxes	$71.0	$73.8	($2.8)	(3.8%)	
Income Tax Expense	($26.4)	($27.3)	$0.9	3.3%	
Net Income	$44.6	$46.5	($1.9)	(4.1%)	
Diluted Earnings Per Share	$0.27	$0.27	$0.00	0.0%	Q3 2016: 167.9M shares; Q3 2015: 175.0M shares
Adjusted EBITDA[(1)]	$150.5	$174.1	($23.6)	(13.6%)	
Adjusted EBITDA Margin [(1)]	34.7%	35.3%	-	(0.6%)	

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

Allison Transmission

Q3 2016 Cash Flow Performance

($ in millions)	Q3 2016	Q3 2015	$ Variance	% Variance	Commentary
Net Cash Provided by Operating Activities	$128	$162	($34)	(21.4%)	Principally driven by decreased net sales and increased operating working capital (2)
CapEx	$14	$15	($1)	(7.2%)	
Adjusted Free Cash Flow (1)	$116	$148	($32)	(21.7%)	Principally driven by decreased net cash provided by operating activities partially offset by increased excess tax benefit from stock-based compensation and decreased capital expenditures

($ in millions)	Q3 2016	Q3 2015	$ Variance	% Variance	Commentary
Operating Working Capital(2) Percentage of LTM Sales	12.1%	11.6%	N/A	50 bps	Principally driven by decreased net sales
Cash Paid for Interest	$21	$22	($1)	(6.0%)	
Cash Paid for Income Taxes	$2	$1	$1	118.2%	Principally driven by increased estimated taxable income for certain foreign entities

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

2016 Guidance Update - Summary

	Guidance	Commentary
Net Sales Change from 2015	(8.5) to (9.5) percent	Guidance reflects expectations for no meaningful relief from the global Off-Highway end market challenges and tempering demand conditions in the North America On-Highway end market partially offset by increased demand in the Outside North America On-Highway end market. Guidance also assumes previously considered reductions in demand for North America Hybrid-Propulsion Systems for Transit Bus due to engine emissions improvements and other alternative technologies.
Adjusted EBITDA Margin	34.0 to 35.0 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)	$435 to $455	
CapEx ($ in millions) Maintenance New Products	 $65 $5 to $10	Subject to timely completion of development and sourcing milestones
Cash Income Taxes ($ 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 EBITDA reconciliation

$ in millions, Unaudited	For the year ended December 31,					Three months ended September 30,		Last twelve months ended September 30,
	2011	2012	2013	2014	2015	2015	2016	2016
Net income	**$103.0**	**$514.2**	**$165.4**	**$228.6**	**$182.3**	**$46.5**	**$44.6**	**$166.7**
plus:								
Interest expense, net	217.3	151.2	132.9	138.4	114.5	33.7	22.2	104.9
Income tax expense (benefit)	47.6	(298.0)	100.7	139.5	106.5	27.3	26.4	99.6
Fee to terminate services agreement with Sponsors	—	16.0	—	—	—	—	—	—
Technology-related investment expenses	—	14.4	5.0	2.0	—	—	1.0	1.0
Public offering expenses	—	6.1	1.6	1.4	—	—	—	—
Impairments	—	—	—	15.4	81.3	—	—	80.0
Environmental Remediation	—	—	—	—	14.0	14.0	—	—
Amortization of intangible assets	151.9	150.0	105.3	98.8	97.1	24.3	23.0	93.6
Depreciation of property, plant and equipment	103.8	102.5	98.7	93.8	88.3	22.4	21.1	85.3
Loss on redemptions and repayments of long-term debt	16.0	22.1	0.8	0.5	0.3	—	—	0.1
Stockholder activism expenses	—	—	—	—	—	—	—	3.7
Dual power inverter module extended coverage	—	9.4	(2.4)	1.0	(2.1)	(0.3)	(0.2)	1.3
UAW Local 933 signing bonus	—	8.8	—	—	—	—	—	—
Benefit plan re-measurement	—	2.3	—	—	—	—	—	—
Unrealized loss (gain) on commodity hedge contracts	6.5	(1.0)	1.5	(1.0)	1.1	0.7	(0.2)	(1.3)
Unrealized loss (gain) on foreign exchange	0.3	0.1	2.3	5.2	1.4	2.8	(1.1)	0.5
Expenses related to long-term debt refinancing	56.9	—	—	—	25.3	0.2	11.6	11.6
Restructuring charges	—	—	1.0	0.7	—	—	—	—
Other, net (1)	8.6	7.0	13.8	14.7	9.8	2.5	2.1	9.0
Adjusted EBITDA	**$711.9**	**$705.1**	**$626.6**	**$739.0**	**$719.8**	**$174.1**	**$150.5**	**$656.0**
Net Sales	**$2,162.8**	**$2,141.8**	**$1,926.8**	**$2,127.4**	**$1,985.8**	**$493.0**	**$434.3**	**$1,849.5**
Adjusted EBITDA margin	**32.9%**	**32.9%**	**32.5%**	**34.7%**	**36.2%**	**35.3%**	**34.7%**	**35.5%**

(1) Includes income related to benefit plan adjustments, employee stock compensation expense, service fees paid to Allison's Sponsors

Non-GAAP Reconciliations (2 of 2)

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,
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**	**2016**
Net Cash Provided by Operating Activities	**$469.2**	**$497.5**	**$463.5**	**$573.3**	**$579.9**	**$162.4**	**$127.7**	**$590.4**
(Deductions) or Additions:								
Long-lived assets	(96.9)	(123.9)	(74.4)	(64.1)	(58.1)	($15.2)	($14.1)	($64.7)
Fee to terminate services agreement with Sponsors	—	16.0	—	—	—	—	—	—
Technology-related license expenses	—	12.0	6.0	6.1	0.2	$0.2	—	—
Stockholder activism expenses	—	—	—	—	—	—	$0.1	$3.7
Excess tax benefit from stock-based compensation	—	5.3	13.7	24.6	8.4	$0.2	$1.8	$2.3
Adjusted Free Cash Flow	**$372.3**	**$406.9**	**$408.8**	**$539.9**	**$530.4**	**$147.6**	**$115.5**	**$531.7**
Net Sales	**$2,162.8**	**$2,141.8**	**$1,926.8**	**$2,127.4**	**$1,985.8**	**$493.0**	**$434.3**	**$1,849.5**
Adjusted Free Cash Flow (% to Net Sales)	**17.2%**	**19.0%**	**21.2%**	**25.4%**	**26.7%**	**29.9%**	**26.6%**	**28.7%**