Investor Relations Presentation
First Quarter 2016 (Published May 10, 2016)

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.

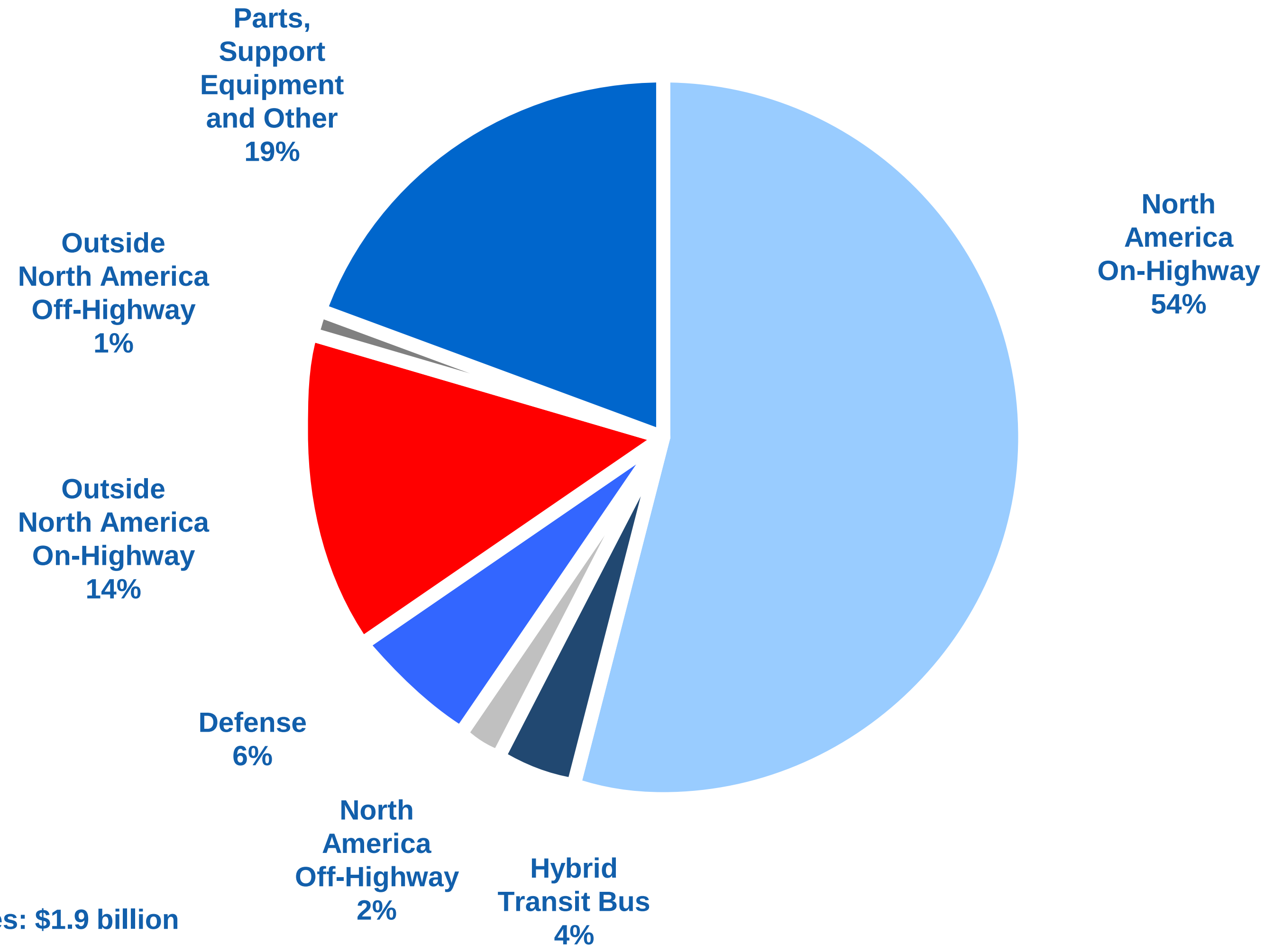
Business Overview

Allison Transmission at a Glance

- World's largest manufacturer of fully-automatic transmissions for medium- and heavy-duty commercial vehicles
  - 63% global market share of fully-automatic transmissions
  - Virtually no exposure to Class 8 line-haul tractors
- Allison is the premier fully-automatic transmission brand
  - Premium price component frequently specified by end users
  - Differentiated technology
- Well positioned for revenue and earnings growth
  - Further adoption outside North America
  - Expanding addressable market
  - Funded growth opportunities in asset light business model
- Strong cash flow generation and well-defined capital allocation policy

Allison Transmission at a Glance

LTM(1) Net Sales by End Market



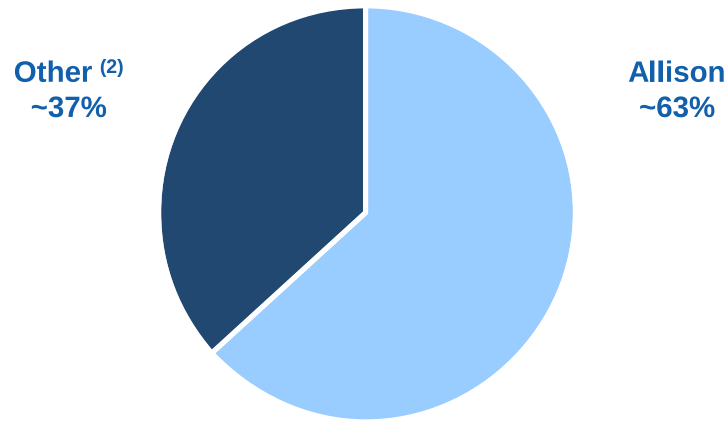
LTM(1) Net Sales: $1.9 billion

(1) LTM 3/31/16.

Global Market Leader

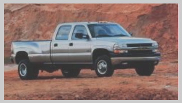
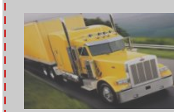
- The “de facto” standard in medium- and heavy-duty applications
  - Well established as standard in North America
- Increasing presence in emerging markets which today are predominantly manual
- Virtually no exposure to more cyclical Class 8 line-haul tractors

Global On-Highway Fully-Automatic Share(1)



(1) 2015 Units. Source: Allison and ACT Research.
(2) Majority of “Other” volume is in North American Class 4-5 truck and European bus.

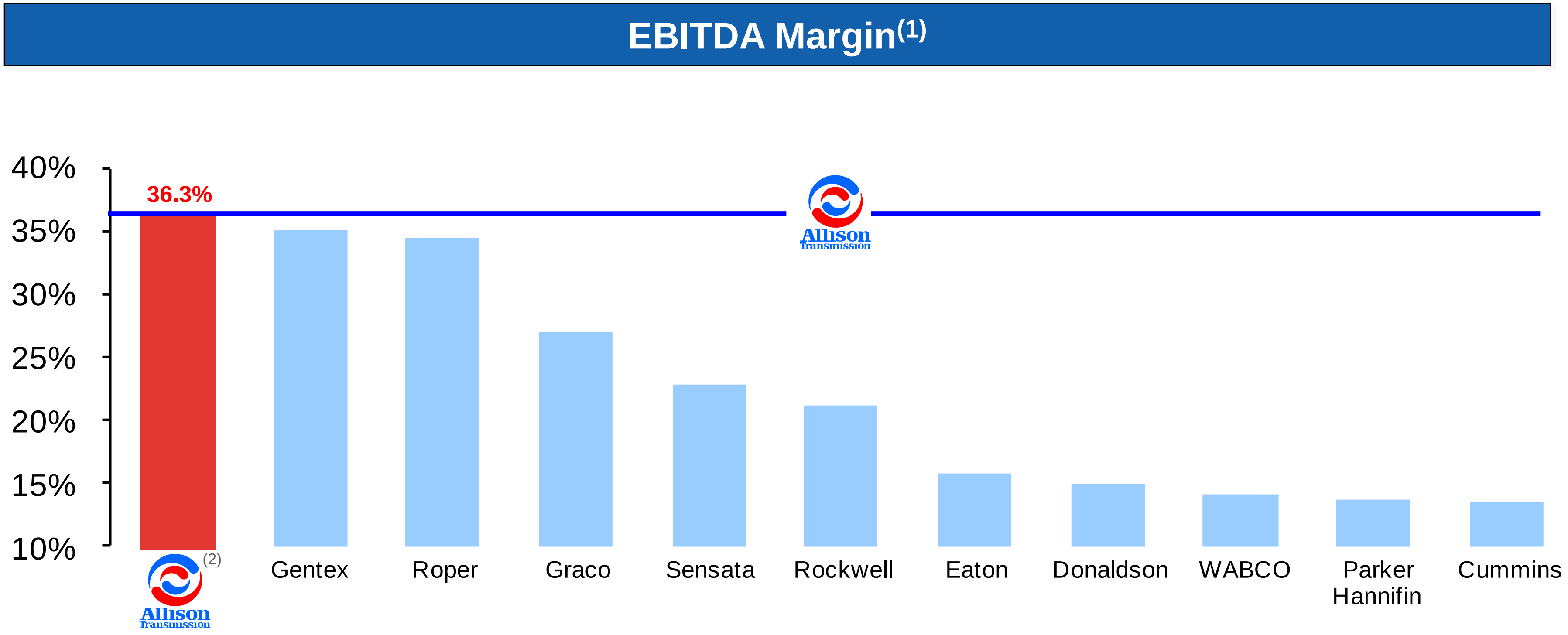
North America On-Highway End Market

		Underserved	Core Addressable Market				Underserved	
	Class 1-3	Class 4-5	Motor Home	School Bus	Class 6-7	Class 8 Straight	Class 8 Metro	Class 8 Tractor
Vehicles								
Weight (000s of lbs)	< 14 lbs	14 – 19 lbs	16 – 33 lbs	16 – 33 lbs	19 – 33 lbs	33 lbs+	33 lbs+	33 lbs+
2015 Industry Units Produced	6,974,454	86,774	18,270	31,689	95,684	79,241	76,629	167,412
2015 Allison Share	0%	5%	40%	98%	77%	61%	7%	0%

- ~ 30-40% of Allison's North America On-Highway market volume is driven by municipal spending, reducing end-market volatility
- Significant opportunity to further penetrate the Class 8 Metro market
  - "Metro" is a term for tractors that are used primarily in urban environments, which represent ~30% of the Class 8 tractor market

Note: Analysis excludes Allison's Transit/Coach Bus and Hybrid Transit Bus volume.
Source: Class 1-3 from Wards 2015 Factory Sales North America; Core Addressable Market and Class 8 Tractor from Allison and ACT Research.

Best in Class EBITDA Margin



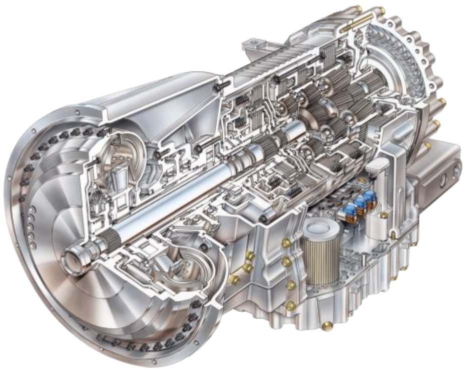
(1) Calendar Year 2015 EBITDA, which excludes non-recurring or one-time items as designated by each entity, are based on information available in the entity's most recent quarterly or annual report as of 02/26/2016. EBITDA included above may not be consistent with such entity's reported EBITDA or Adjusted EBITDA, if available.

(2) Represents Adjusted EBITDA excluding technology-related license expenses.

See appendix for comments regarding the presentation of non-GAAP financial information.

Strategic Priorities

- Expand global market leadership
  - Capitalize on continued developed markets recovery
  - New vocational offerings
- Emerging markets penetration
  - Vocational ladder strategy
  - Increase number of vehicle releases
- Continued focus on new technologies and product development
  - Address markets adjacent to core
  - Leverage core technologies for new products with minimal investment
  - Advanced fuel efficient technologies
- Deliver strong financial results
  - Exploit capacity availability and asset light business model
  - Focus on margin sustainment
  - Earnings growth and cash flow generation
  - Well-defined capital allocation policy



Premier Industrial Company

- Global Market Leader
- Premier Brand and End User Value Proposition
- Technology Leadership - The Allison Advantage
- Diverse End Markets
- Multiple Organic Growth Opportunities
- Strong Cash Flow Generation with Well-Defined Capital Allocation Policy

A Recognized Leader and Respected Brand

- The Allison brand is associated with:
  - High Quality
  - Reliability
  - Durability
  - Vocational Value and Expertise
  - Technological Leadership
  - Superior Customer Service
  - Attractive Total Lifecycle Value
- 100 year history of providing high-quality innovative products and demonstrated value to end users

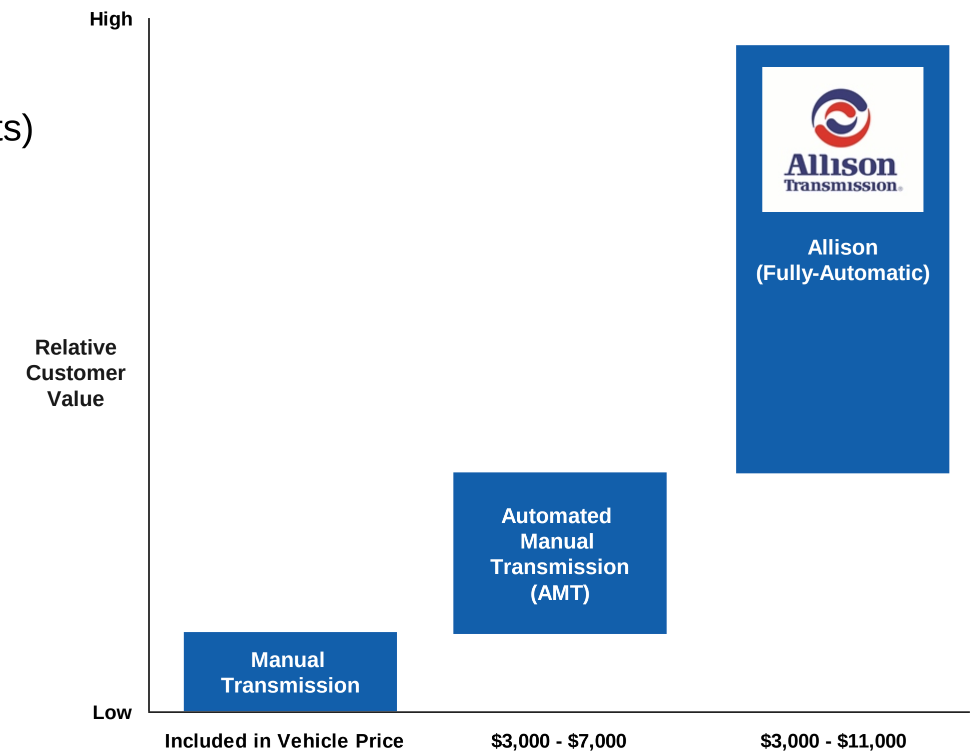
End Users Frequently Request Allison Transmissions by Name and Pay a Premium for Them

Allison Transmission

End User Value Proposition

- Advantages of a fully-automatic Allison Transmission
  - Productivity (acceleration)
  - Maintenance Savings (life cycle costs)
  - Fuel Efficiency
  - Driver Skillset / Wages
  - Training (time, cost)
  - Shift Quality
  - Safety
  - Residual Value

End Users are Willing to Pay a Premium Price for Allison

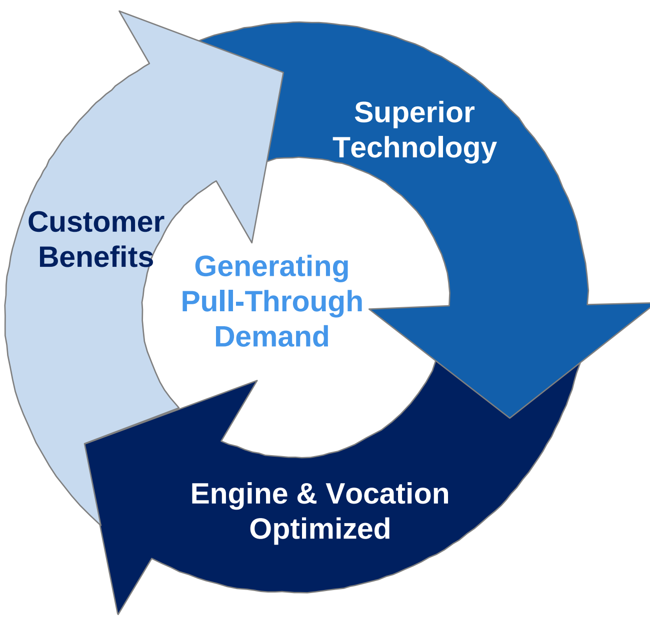


Payback period for a premium Allison Transmission averages less than 3 years

Technology Leadership – The Allison Advantage

- Allison employs proprietary and patented technology developed over many decades and more than six million units
- Technology is matched to the selected engine and optimized for the intended vocation
- Software algorithms are individually tailored to maximize performance in thousands of duty cycles
- Customers benefit from superior performance and lower life cycle costs

Allison Advantage
Lower Vehicle Life Cycle Costs
Superior Performance



Technology Differentiators
Proprietary and patented technology developed over many decades and 6.3 million units

Allison Advantage
Properly Matched to Selected Engine
Optimized for Intended Vocation

Very Diverse End Markets

Global

On-Highway

Distribution | Emergency | Motorhome | Rugged Duty | School/Shuttle Bus | Transit






Coca-Cola, pepsi, FedEx, PENSKE Truck Leasing, UPS

BAA — British Airport Authority; Fire Department City of New York

THOR INDUSTRIES, INC.; WINNEBAGO INDUSTRIES; PREVOST

VEOLIA ENVIRONMENTAL SERVICES; The City of New York Department of Sanitation; WM Waste Management

First Student

New Delhi Transit

BMCT — Beijing City Transit

Hybrid Transit Bus

SEPTA; metro; King County METRO

Off-Highway



HALLIBURTON; BJ; SANY; NHL; JEREH; TEREX

Defense

Medium- and Heavy-Tactical


Aftermarket

Parts, Support Equipment & Other



Retran

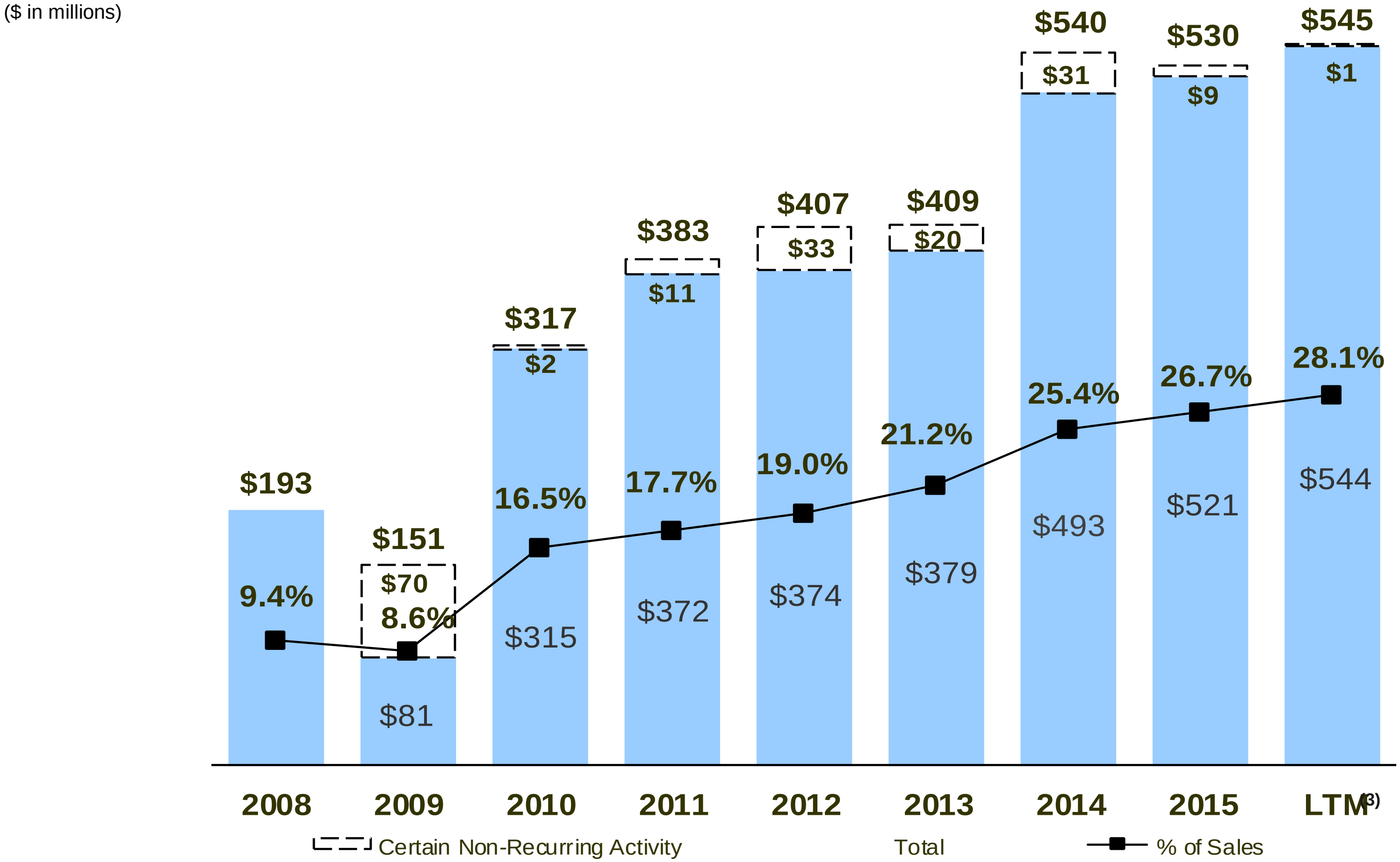
Allison Transmission

Over 50 Year Relationship with Industry-Leading OEMs

North America	On-Highway	PACCAR, FREIGHTLINER, NAVISTAR®, Pierce, BLUE BIRD, SPARTAN, Mack, HINO, OSHKOSH®, AUTOCAR
North America	Hybrid Transit Bus	GILLIG, NEW FLYER, MOTOR COACH INDUSTRIES, NABI, NOVA BUS
North America	Off-Highway	HITACHI, PACCAR, Schlumberger, HALLIBURTON, BJ
Outside North America	On-Highway	DAIMLER, KING LONG, RENAULT TRUCKS, Optare, MAN, SCANIA, SOLARIS, HINO, DAF, VOLVO, 陕汽重卡, VAN HOOL, TATA, DFM 东风汽车公司 DONGFENG MOTOR CORPORATION
Outside North America	Off-Highway	BELAZ, BELL, beml, NHL, JEREH, TEREX, Atlas Copco, SANY
Defense	Medium- and Heavy-Tactical	U.S. Government, OSHKOSH®, BAE SYSTEMS, GENERAL DYNAMICS, NAVISTAR®

Significant Cash Flow Generation

Adj. Free Cash Flow Generation(1)



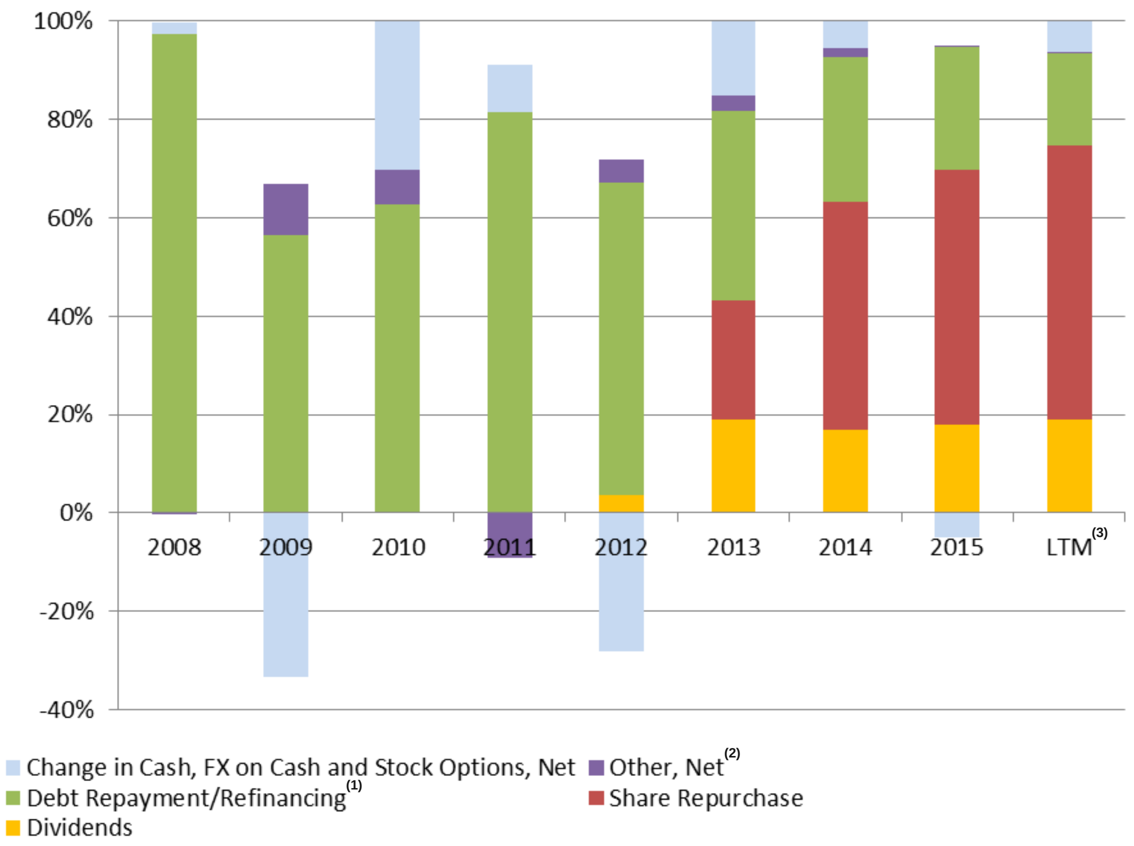
LTM Adjusted Free Cash Flow of $3.18 Per Diluted Share(2)

Note: See appendix for comments regarding the presentation of non-GAAP financial information.
(1) See appendix for a reconciliation of Adjusted Free Cash Flow.
(2) LTM Adjusted Free Cash Flow Adjusted Free Cash Flow per diluted share calculated based on diluted weighted average shares of common stock outstanding for the three months ended 3/31/16.
(3) LTM 3/31/16.

Capital Allocation Priorities

- Organic revenue growth
- New product and technology development
- Prudent balance sheet management
  - Medium term net leverage target of 3.0 - 3.5x
- Return capital to shareholders
  - Quarterly dividend of $0.15 per share
  - $500 million share repurchase authorization; $161M remaining as of March 2016
- Low-cost, flexible and pre-payable debt structure with 2019 maturity

Free Cash Flow Utilization



Well-Defined Capital Allocation Policy

- Return capital to shareholders
  - Quarterly dividend of $0.15 per share
  - $500 million share repurchase authorization; $161M remaining through December 2016[4]
- Low-cost, flexible and pre-payable debt structure with longer-dated maturities
- Prudent balance sheet management; medium term net leverage target of 3.0-3.5x
- Realize returns from completed investments in global commercial capabilities, and new product and technology development

Note: See appendix for comments regarding the presentation of non-GAAP financial information.
(1) Net of change in Cash & Cash Equivalents.
(2) 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. All periods adjusted for collateral for interest rate derivatives, purchase of available-for-sale securities, proceeds from disposal of assets, investments in technology-related initiatives and license expenses, and fee to terminate services agreement with Sponsors.
(3) LTM 3/31/16.
(4) As of 3/31/16.

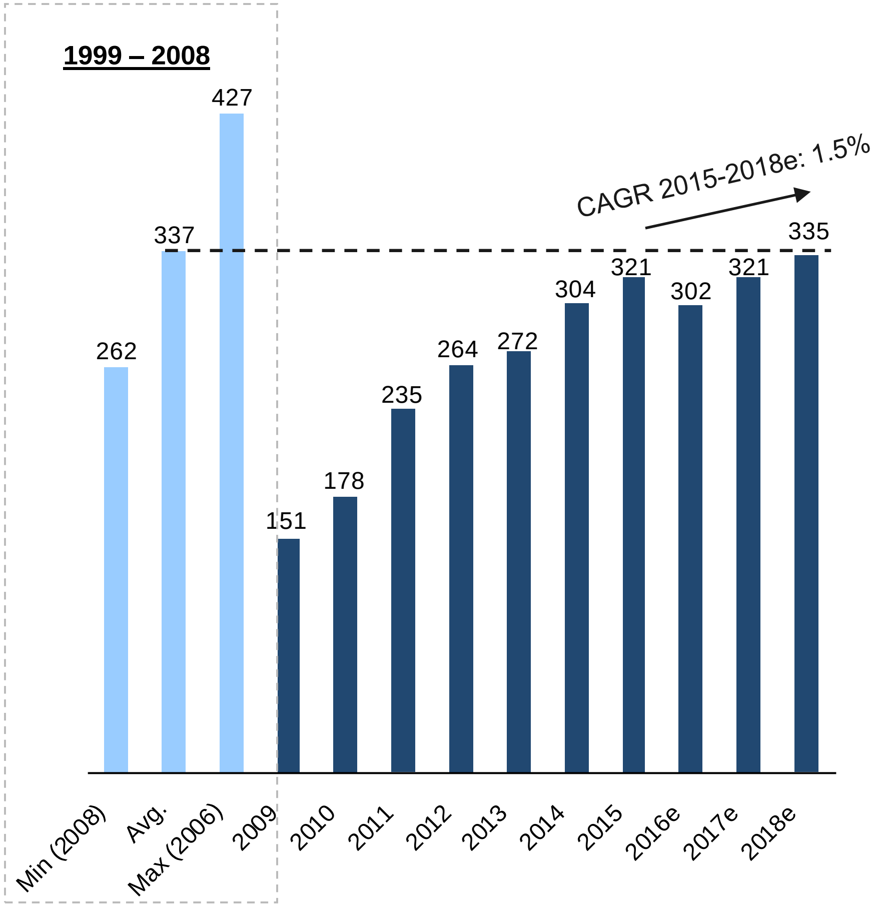
Multiple Organic Growth Opportunities

- Developed Markets Opportunities
- Increase Penetration of Fully-Automatic Transmissions
- Accelerate Adoption in Emerging Markets
- Global Off-Highway Growth Opportunities
- Continue New Technology and Product Development

Developed Markets Opportunities

- Growth opportunity driven by maturing cyclical recovery in core North America market
- Production has rebounded from cyclical lows with moderate growth fueled by pick-up in economic activity
  - Housing recovery and increased construction activity drives greater demand for medium and heavy duty trucks
  - Lack of EPA emission changes reduces cyclicality
- Allison's growth is also supported by
  - Pent up demand from deferred purchases
  - Continued demand for fuel efficient vehicles
- Significant opportunity in Class 8 Metro market with new TC10 transmission
  - Only 7% share of a large addressable market

North America Production in Allison's Core Addressable Market (units in 000s)(1)



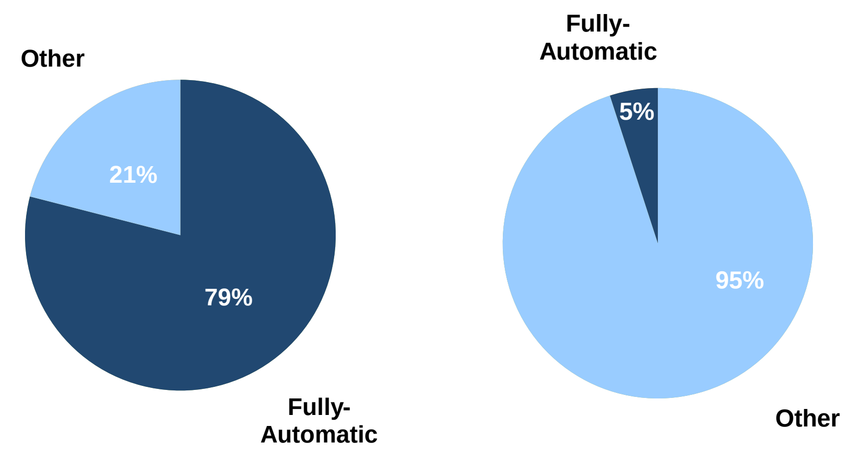
(1) Source: ACT Research, April 2016. Includes: Class 4 thru 8 less Class 8 Tractor & Class 8 Straight with Sleeper. 2016e: Total 477,462 less Class 8 Tractor of 174,279 less Class 8 Straight with Sleeper of 970.

Increase Penetration of Fully-Automatic Transmissions

- Ongoing need for productivity improvements
  - Better acceleration and shorter travel time result in increased miles and revenue
  - Improved fuel efficiency and increased vehicle uptime
- Focus on reducing life cycle costs
  - Lower maintenance and fuel expense
  - Increased vehicle residual value
- Micro and demographic trends
  - Ease of operation increases pool of qualified drivers
  - Less driver training, lower turnover and improved safety
- Underserved North America market segments

Penetration of Fully-Automatic Transmissions On-Highway

North America[1]	Outside North America[2][3]



Source: Allison.
(1) Includes Class 4-7 trucks, Class 8 straight trucks, buses (school, conventional transit, shuttle and coach) and motorhomes.
(2) Includes medium- and heavy-duty commercial vehicles.
(3) 2015 Outside-North America On-Highway Transmission Net Sales by Region: EMEA $141M, Asia Pacific-China $56M, Asia Pacific-Japan $42M, South America $18M, and India $5M.

Accelerating Adoption in Emerging Markets – China

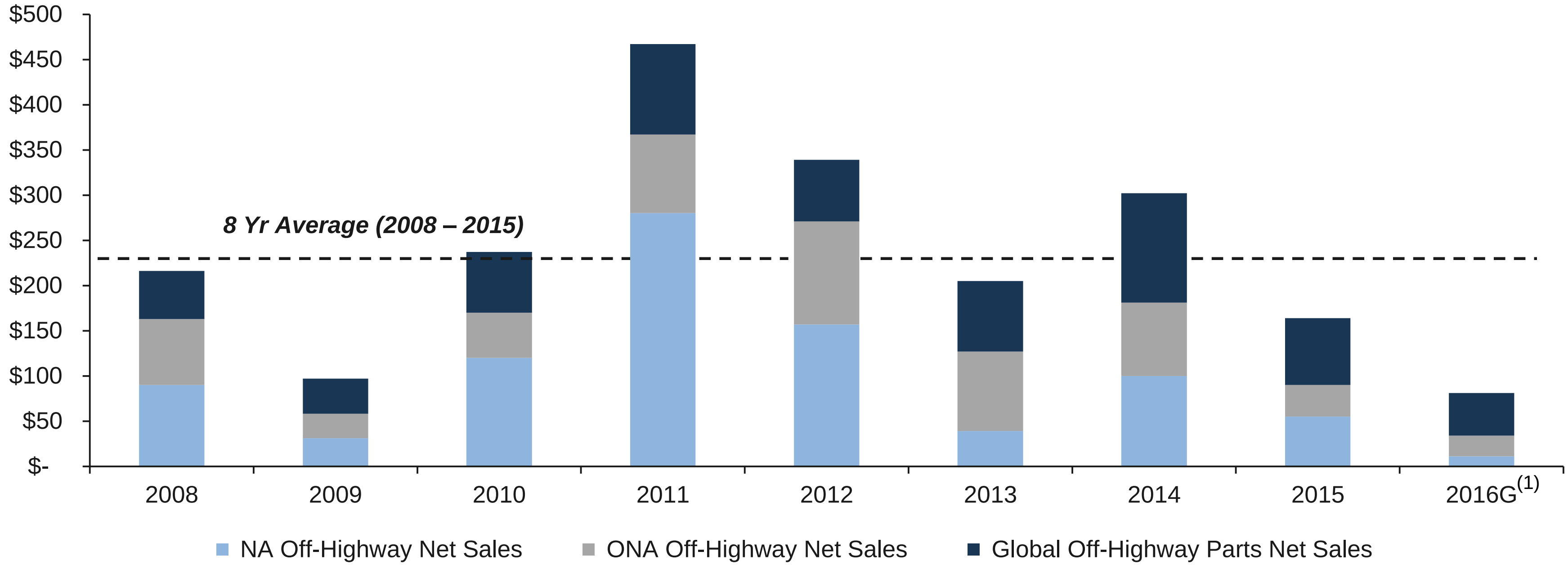
- Allison is the #1 supplier of fully-automatic transmissions in China as a result of targeting specific vocations
  - Substantial installed base of over 60,000 transmissions in China
- Several million commercial vehicles produced annually of which approximately 200 thousand are addressable by Allison
  - Allison's existing bus presence serves as entry point for incremental penetration into a market in which Fully-Automatic penetration is less than 5%

- Significant growth opportunities by targeting a wide range of vocational truck applications
  - Government emphasis on equipment modernization for mining, rescue operations, school buses and other applications
  - Construction and oil field sector
- OEM release activities supported by focused end user initiatives resulting in fleets requesting Allison by name

Allison's China Truck Vocational Focus

Global Off-Highway Growth Opportunities

- Energy Sectors
  - Considerable end market cyclicality, currently at trough levels
  - Multiple opportunities in exploration, fracturing and oil and gas support
  - Introduction of new high horsepower hydraulic fracturing transmissions
- Mining and Construction
  - Considerable end market cyclicality, currently at trough levels
  - NA, Europe, Middle East, Africa and China
  - Increasing urbanization in emerging markets



(1) Midpoint Guidance as of 2/8/16.

Investment in Technology and Product Development

Fuel Economy – FuelSense®

- New On-Highway Product Features
  - Automatically adapts shift schedules and torque, maximizing transmission efficiency
  - 5th Generation Electronic Controls improve fuel economy, acceleration management, precision inclinometer, advanced diagnostic and prognostic displays
- FuelSense is available in three unique packages: FuelSense, FuelSense Plus™ and FuelSense Max™

High Horsepower Hydraulic Fracturing Transmissions

- New 9826 and 9832 Oil Field Series (OFS) models based on six decades of industry expertise
- Addresses global market demand for higher horsepower, extended duty cycles, lower days-to-depth and higher recovery factors
- Also announced enhancements to existing 9800 OFS models

Fuel Economy – xFE Models

- New transmissions with optimized gear ratios coupled with FuelSense Max™ packages
- Represents the latest in fuel savings innovation
  - Significantly more torque converter lock-up operation, spending more time in higher ranges at lower engine speeds
  - Producing fuel savings of up to 7% over comparatively equipped models with FuelSense features New On-Highway Product Features

Class 8 Metro

- Ten-speed fully-automatic transmission targeted at Class 8 tractors primarily serving urban markets
  - Addressable annual market size of ~60k units
  - Historically a "manual" market underserved by Allison's fully-automatic product portfolio
- Available at Navistar with the Navistar N13 and Cummins ISX15 engines
- PACCAR announcement of engineering program to release TC10 in Kenworth and Peterbilt models with both PACCAR and Cummins engines

Average Annual Spend over $110 Million in Product-Related Research and Development Since Acquisition in August 2007

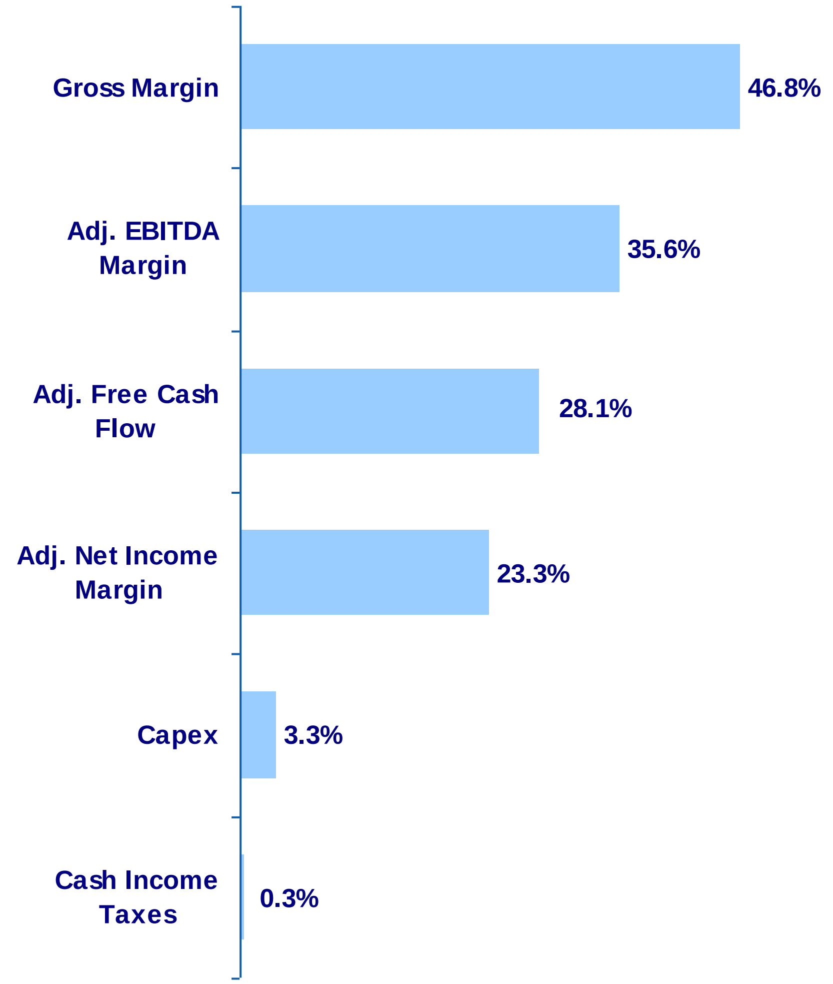
Financial Overview

Allison Financial Highlights

- Strong operating margins
  - End markets diversity
  - Premium vocational pricing model
  - Cost controls and productivity improvements
  - Multi-Tier UAW wage and benefits structure
- Low capital expenditure requirements
- Valuable U.S. income tax shield
  - $0.6-$0.7bn present value
- Positioned for long-term cash earnings growth
  - Multiple growth opportunities in asset light business model
- Strong free cash flow
  - LTM Adjusted Free Cash Flow of $3.18 per diluted share(2)
  - $0.15 per share quarterly dividend, up from $0.06 per share at time of March 2012 IPO
  - $500 million share repurchase authorization; $161M remaining as of March 2016

LTM(1) Financial Metrics

(% of Net Sales)



Note: See appendix for comments regarding the presentation of non-GAAP financial information.

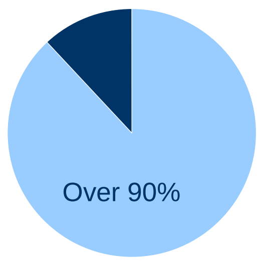
(1) LTM 3/31/16.

(2) LTM Adjusted Free Cash Flow per diluted share calculated based on diluted weighted average shares of common stock outstanding for the three months ended 3/31/16.

Allison Transmission

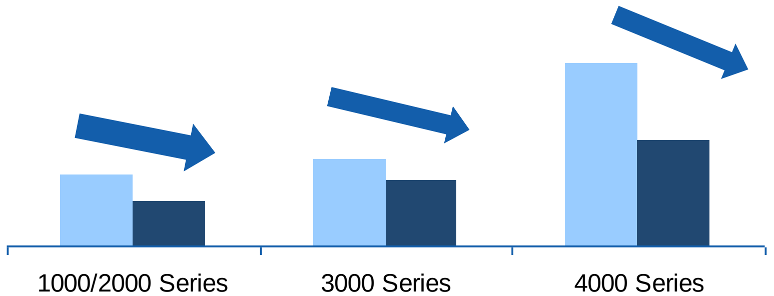
Strong Operating Margins

Long-Term Customer Supply Agreements



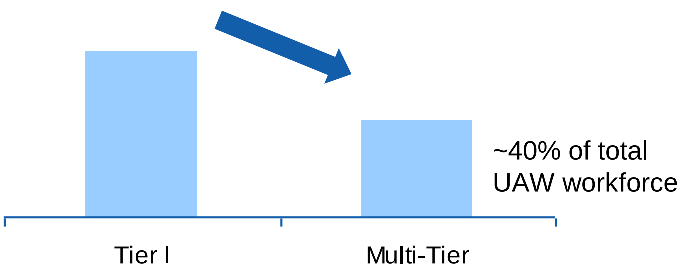
Over 90% of 2015 N.A. On-Highway Unit Volume was covered by long-term customer supply agreements

Manufacturing Efficiencies (hours/unit)



Hours Per Unit continue to decline

Workforce Optimization (cost/employee) (1)



Significant savings driven by retirement of Tier I workers; 700 hourly employees are retirement eligible (~50% of workforce)

International Manufacturing

India (~$103mm total investment)

- New facility constructed to better serve Asia-Pacific
- Phase I: In-sourced component manufacturing (Q3 2010)
- Phase II: Assembly of 1000/2000 Series (Q3 2012)

Hungary (~$17mm total investment)

- Relocated assembly of 3000/4000 Series (Q2 2011)

Source: Allison.
(1) As of 12/31/15.

Income Tax Attributes

Income Tax Attributes Overview

- Allison acquired from General Motors in August 2007
  - Asset deal structure
  - Step-up in basis for U.S. federal income tax purposes

Cash Income Taxes Paid 2008-2015 ($ millions)

2008	2009	2010	2011	2012	2013	2014	2015
$4	$6	$2	$6	$11	$4	$5	$5

- As of 12/31/2015 Allison had $2.1bn of unamortized intangible assets
  - Expect annual U.S. federal income tax deductions of $315mm through 2021 and $183mm in 2022
- Net operating loss carry forward of $97mm as of 12/31/2015

($ millions)	Total	2016	2017	2018	2019	2020	2021	2022
Annual tax amortization	$2,073	$315	$315	$315	$315	$315	$315	$183
Cash tax savings(1)	**770**	117	117	117	117	117	117	68
Cash tax savings of NOLs(2)	**34**							
Grand total	**$804**							

Results in present value tax savings of $578-$676mm(3)

(1) Assuming continued profitability and no limitations at an assumed 37.13% federal and state tax rate.
(2) Calculated at a 35.0% federal tax rate on the $97mm of federal NOL carry forward balance as of 12/31/2015.
(3) Based on annual discount rate of 5-10%; includes both amortization of intangibles and federal NOL's (contingent on timing of taxable income).

Allison Transmission

Summary

- Allison Transmission is the global leader in the markets it serves
  - Premier fully-automatic transmission brand
  - 100 year operating history
- Strong financial position
  - Industry leading EBITDA margin
  - Asset light business model
  - Significant free cash flow generation
  - Returning capital to shareholders
- Substantial long-term growth opportunities
  - Expand global leadership
  - Penetrate emerging markets
  - Address underserved markets
  - Continuous product innovation

Guidance / Supplemental Financial Data

2016 Full Year Guidance (Published April 25, 2016)

	Guidance	Commentary
Net Sales Change from 2015	(6.5) to (9.5) percent	Guidance reflects expectations for tempering demand conditions in the North America On-Highway end market, no meaningful relief from the global Off-Highway end market challenges and divergent global economic environments. Guidance also assumes previously considered reductions in demand for North America Hybrid-Propulsion Systems for Transit Bus due to engine emissions improvements and non-hybrid alternatives.
Adjusted EBITDA Margin	32.5 to 34.0 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)	$400 to $450	$2.30 to $2.60 per diluted share
CapEx ($ in millions) Maintenance New Product Programs	 $60 $5 to $15	Subject to timely completion of development and sourcing milestones
Cash Income Taxes ($ in millions)	$10 to $15	U.S. income tax shield and net operating loss utilization

Note: See appendix for comments regarding the presentation of non-GAAP financial information.

Historical Financial Summary

Financial Summary

In $ millions	Annual								LTM [1]
	2008	2009	2010	2011	2012	2013	2014	2015	
Net Sales	$2,061	$1,767	$1,926	$2,163	$2,142	$1,927	$2,127	$1,986	$1,944
% Growth	*(5.2%)*	*(14.3%)*	*9.0%*	*12.3%*	*(1.0%)*	*(10.0%)*	*10.4%*	*(6.7%)*	*(9.0%)*
Adjusted EBITDA[2]	544	511	619	722	717	633	745	720	692
% Margin	*26.4%*	*28.9%*	*32.1%*	*33.4%*	*33.5%*	*32.8%*	*35.0%*	*36.3%*	*35.6%*
Effective Cash Tax Rate[3]	NM	NM	*2.7%*	*3.9%*	*4.9%*	*1.4%*	*1.4%*	*1.8%*	*2.3%*
Adjusted Net Income	93	50	274	305	376	348	479	493	453
% of Net Sales	*4.5%*	*2.8%*	*14.2%*	*14.1%*	*17.6%*	*18.1%*	*22.5%*	*24.8%*	*23.3%*
Total CapEx	75	88	74	97	124	74	64	58	63
% of Net Sales [4]	*3.7%*	*5.0%*	*3.8%*	*4.5%*	*5.8%*	*3.9%*	*3.0%*	*2.9%*	*3.3%*
Adj. Free Cash Flow	193	151	317	383	407	409	540	530	545
% of Net Sales	*9.4%*	*8.6%*	*16.5%*	*17.7%*	*19.0%*	*21.2%*	*25.4%*	*26.7%*	*28.1%*
Adj. FCF per diluted share [5]	*$ 1.06*	*$ 0.83*	*$ 1.75*	*$ 2.11*	*$ 2.18*	*$ 2.18*	*$ 2.96*	*$ 2.99*	*$ 3.18*

- Resiliency through the 2009 downturn, evidenced by increasing EBITDA margins and strong free cash flow generation
- Completed investments in global commercial capabilities, new product development and low-cost country manufacturing
- Strong free cash flow driven by high margins, asset light business model, and limited cash income taxes

Note: See appendix for comments regarding the presentation of non-GAAP financial information.
(1) LTM 3/31/16.
(2) Excluding technology-related license expenses: 2009 of $10 million, 2010 of $2 million, 2011 of $10 million, 2012 of $12 million, 2013 of $6 million, 2014 of $6 million.
(3) Effective cash tax rate defined as cash income taxes divided by income (loss) before taxes.
(4) 2011 is 2.7%, 2012 is 2.8%, 2013 is 3.2%, 2014 is 2.9%, 2015 is 2.9% and LTM is 3.2% excluding Outside-North America manufacturing expansion and new products related.
(5) LTM Adjusted Free Cash Flow per diluted share calculated based on diluted weighted average shares of common stock outstanding for the three months ended 3/31/16.

Allison Transmission.

Allison Quarterly Sales Summary

Quarterly Net Sales by End Market ($ millions)

	2012				2013				2014				2015				2016
Net Sales	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
NA On-Highway	$219	$217	$189	$188	$188	$216	$212	$210	$233	$243	$256	$256	$268	$277	$262	$252	$257
NA Hybrid Transit Bus	35	18	30	32	31	27	15	32	24	28	23	17	18	20	12	23	17
NA Off-Highway	74	44	22	17	8	8	9	14	12	23	30	36	22	10	12	11	5
Defense	77	80	74	74	57	58	52	35	34	49	35	38	25	29	34	25	25
ONA On-Highway	66	78	73	73	62	75	70	86	64	62	73	65	57	73	67	65	70
ONA Off-Highway	32	30	22	30	21	36	16	14	21	24	18	19	16	8	4	7	3
Parts, Support Equipment & Other	99	92	84	73	90	92	92	100	106	107	118	113	98	94	102	95	85
Total Net Sales	**$602**	**$559**	**$494**	**$487**	**$457**	**$512**	**$466**	**$491**	**$494**	**$536**	**$553**	**$544**	**$504**	**$511**	**$493**	**$478**	**$462**
	2012				2013				2014				2015				2016
Variance - Year over Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
NA On-Highway	$55	$28	($10)	$13	($31)	($1)	$23	$22	$45	$27	$44	$46	$35	$34	$6	($4)	($11)
NA Hybrid Transit Bus	(4)	(22)	2	5	(4)	9	(15)	0	(7)	1	8	(15)	(6)	(8)	(11)	6	(1)
NA Off-Highway	10	(26)	(54)	(53)	(66)	(36)	(13)	(3)	4	15	21	22	10	(13)	(18)	(25)	(17)
Defense	(7)	11	(7)	4	(20)	(22)	(22)	(39)	(23)	(9)	(17)	3	(9)	(20)	(1)	(13)	0
ONA On-Highway	9	1	0	3	(4)	(3)	(3)	13	2	(13)	3	(21)	(7)	11	(6)	0	13
ONA Off-Highway	9	9	(2)	11	(11)	6	(6)	(16)	0	(12)	2	5	(5)	(16)	(14)	(12)	(13)
Parts, Support Equipment & Other	13	2	(9)	(12)	(9)	0	8	27	16	15	26	13	(8)	(13)	(16)	(18)	(13)
Total Net Sales	**$85**	**$3**	**($80)**	**($29)**	**($145)**	**($47)**	**($28)**	**$4**	**$37**	**$24**	**$87**	**$53**	**$10**	**($25)**	**($60)**	**($66)**	**($42)**
	2012				2013				2014				2015				2016
Variance - Sequential	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
NA On-Highway	$44	($2)	($28)	($1)	$0	$28	($4)	($2)	$23	$10	$13	$0	$12	$9	($15)	($10)	$5
NA Hybrid Transit Bus	8	(17)	12	2	(1)	(4)	(12)	17	(8)	4	(5)	(6)	1	2	(8)	11	(6)
NA Off-Highway	4	(30)	(22)	(5)	(9)	0	1	5	(2)	11	7	6	(14)	(12)	2	(1)	(6)
Defense	7	3	(6)	0	(17)	1	(6)	(17)	(1)	15	(14)	3	(13)	4	5	(9)	0
ONA On-Highway	(4)	12	(5)	0	(11)	13	(5)	16	(22)	(2)	11	(8)	(8)	16	(6)	(2)	5
ONA Off-Highway	13	(2)	(8)	8	(9)	15	(20)	(2)	7	3	(6)	1	(3)	(8)	(4)	3	(4)
Parts, Support Equipment & Other	14	(7)	(8)	(11)	17	2	0	8	6	1	11	(5)	(15)	(4)	8	(7)	(10)
Total Net Sales	**$86**	**($43)**	**($65)**	**($7)**	**($30)**	**$55**	**($46)**	**$25**	**$3**	**$42**	**$17**	**($9)**	**($40)**	**$7**	**($18)**	**($15)**	**($16)**

Appendix: Non-GAAP Financial Information

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 operating performance and 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 operating 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.

Non-GAAP Reconciliations (1 of 2)

Adjusted Net Income and Adjusted EBITDA reconciliation

$ in millions, Unaudited	For the year ended December 31,								Last twelve months ended March 31,
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net income	**($328.1)**	**($323.9)**	**$29.6**	**$103.0**	**$514.2**	**$165.4**	**$228.6**	**$182.3**	**$162.2**
plus:									
Interest expense, net	385.9	234.2	277.5	217.3	151.2	132.9	138.4	114.5	111.7
Cash interest expense	(334.2)	(242.5)	(239.1)	(208.6)	(167.3)	(159.2)	(140.0)	(97.1)	(100.2)
Income tax expense (benefit)	37.1	41.4	53.7	47.6	(298.0)	100.7	139.5	106.5	94.9
Cash income taxes	(4.3)	(5.5)	(2.2)	(5.8)	(10.7)	(3.8)	(5.0)	(5.2)	(6.0)
Fee to terminate services agreement with Sponsors	—	—	—	—	16.0	—	—	—	—
Technology-related investment expenses	—	—	—	—	14.4	5.0	2.0	—	—
Public offering expenses	—	—	—	—	6.1	1.6	1.4	—	—
Impairments	179.8	190.0	—	—	—	—	15.4	81.3	80.0
Environmental Remediation	—	—	—	—	—	—	—	14.0	14.0
Amortization of intangible assets	156.5	155.9	154.2	151.9	150.0	105.3	98.8	97.1	96.2
Adjusted net income	**$92.7**	**$49.6**	**$273.7**	**$305.4**	**$375.9**	**$347.9**	**$479.1**	**$493.4**	**$452.8**
Cash interest expense	334.2	242.5	239.1	208.6	167.3	159.2	140.0	97.1	100.2
Cash income taxes	4.3	5.5	2.2	5.8	10.7	3.8	5.0	5.2	6.0
Depreciation of property, plant and equipment	106.6	105.9	99.6	103.8	102.5	98.7	93.8	88.3	87.6
(Gain)/loss on redemptions and repayments of long-term debt	(21.0)	(8.9)	(3.3)	16.0	22.1	0.8	0.5	0.3	0.1
Stockholder activism expenses	—	—	—	—	—	—	—	—	3.6
Dual power inverter module extended coverage	2.2	11.4	(1.9)	—	9.4	(2.4)	1.0	(2.1)	1.2
UAW Local 933 signing bonus	4.4	—	—	—	8.8	—	—	—	—
Benefit plan re-measurement	—	—	—	—	2.3	—	—	—	—
Unrealized loss (gain) on commodity hedge contracts	—	(5.8)	0.3	6.5	(1.0)	1.5	(1.0)	1.1	0.8
Unrealized (gain) loss on foreign exchange	—	—	(0.2)	0.3	0.1	2.3	5.2	1.4	4.3
Premiums and expenses on tender offer and redemption of long-term debt	—	—	—	56.9	—	—	—	25.3	25.3
Restructuring charges	15.7	47.9	—	—	—	1.0	0.7	—	—
Reduction of supply contract liability	—	—	(3.4)	—	—	—	—	—	—
Other, net[(1)]	4.9	53.2	10.9	8.6	7.0	13.8	14.7	9.8	9.9
Adjusted EBITDA	**$544.0**	**$501.3**	**$617.0**	**$711.9**	**$705.1**	**$626.6**	**$739.0**	**$719.8**	**$691.8**
Adjusted EBITDA excluding technology-related license expenses	**$544.0**	**$510.9**	**$619.0**	**$722.4**	**$717.1**	**$632.6**	**$745.1**	**$720.0**	**$692.0**
Net Sales	**$2,061.4**	**$1,766.7**	**$1,926.3**	**$2,162.8**	**$2,141.8**	**$1,926.8**	**$2,127.4**	**$1,985.8**	**$1,944.3**
Adjusted EBITDA margin	**26.4%**	**28.4%**	**32.0%**	**32.9%**	**32.9%**	**32.5%**	**34.7%**	**36.2%**	**35.6%**
Adjusted EBITDA margin excl technology-related license expenses	**26.4%**	**28.9%**	**32.1%**	**33.4%**	**33.5%**	**32.8%**	**35.0%**	**36.3%**	**35.6%**

(1) Includes charges or income related to legacy employee benefits, employee disability coverage, 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.

Allison Transmission.

Non-GAAP Reconciliations (2 of 2)

Adjusted Free Cash Flow reconciliation

$ in millions, Unaudited	For the year ended December 31,								Last twelve months ended March 31,
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net Cash Provided by Operating Activities	**$268.1**	**$168.7**	**$388.9**	**$469.2**	**$497.5**	**$463.5**	**$573.3**	**$579.9**	**$606.8**
(Deductions) or Additions:									
Long-lived assets	(75.3)	(88.2)	(73.8)	(96.9)	(123.9)	(74.4)	(64.1)	(58.1)	(63.2)
Fee to terminate services agreement with Sponsors	—	—	—	—	16.0	—	—	—	—
Technology-related license expenses	—	9.6	2.0	10.5	12.0	6.0	6.1	0.2	0.2
Stockholder activism expenses	—	—	—	—	—	—	—	—	1.0
Excess tax benefit from stock-based compensation	—	—	—	—	5.3	13.7	24.6	8.4	0.6
2009 Non-Recurring Activity(1)	—	61.0	—	—	—	—	—	—	—
Adjusted Free Cash Flow	**$192.8**	**$151.1**	**$317.1**	**$382.8**	**$406.9**	**$408.8**	**$539.9**	**$530.4**	**$545.4**
Net Sales	**$2,061.4**	**$1,766.7**	**$1,926.3**	**$2,162.8**	**$2,141.8**	**$1,926.8**	**$2,127.4**	**$1,985.8**	**$1,944.3**
Adjusted Free Cash Flow (% to Net Sales)	**9.4%**	**8.6%**	**16.5%**	**17.7%**	**19.0%**	**21.2%**	**25.4%**	**26.7%**	**28.1%**

(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.

Certain Trademarks

This presentation contains trademarks, service marks, copyrights and trade names of other companies, which are the property of their respective owners. We do not intend our use or display of other companies' trademarks, service marks, copyrights or trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.