Investor Relations Presentation
Second Quarter 2014 (Published August 8, 2014)

Allison Transmission

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: risks related to our substantial indebtedness; our participation in markets that are competitive; the highly cyclical industries in which certain of our end users operate; the failure of markets outside North America to increase adoption of fully-automatic transmissions; the concentration of our net sales in our top five customers and the loss of any one of these; future reductions or changes in government subsidies for hybrid vehicles; U.S. defense spending; general economic and industry conditions; the discovery of defects in our products, resulting in delays in new model launches, recall campaigns and/or increased warranty costs and reduction in future sales or damage to our brand and reputation; our ability to prepare for, respond to and successfully achieve our objectives relating to technological and market developments and changing customer needs; risks associated with our international operations; and labor strikes, work stoppages or similar labor disputes, which could significantly disrupt our operations or those of our principal customers.

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

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

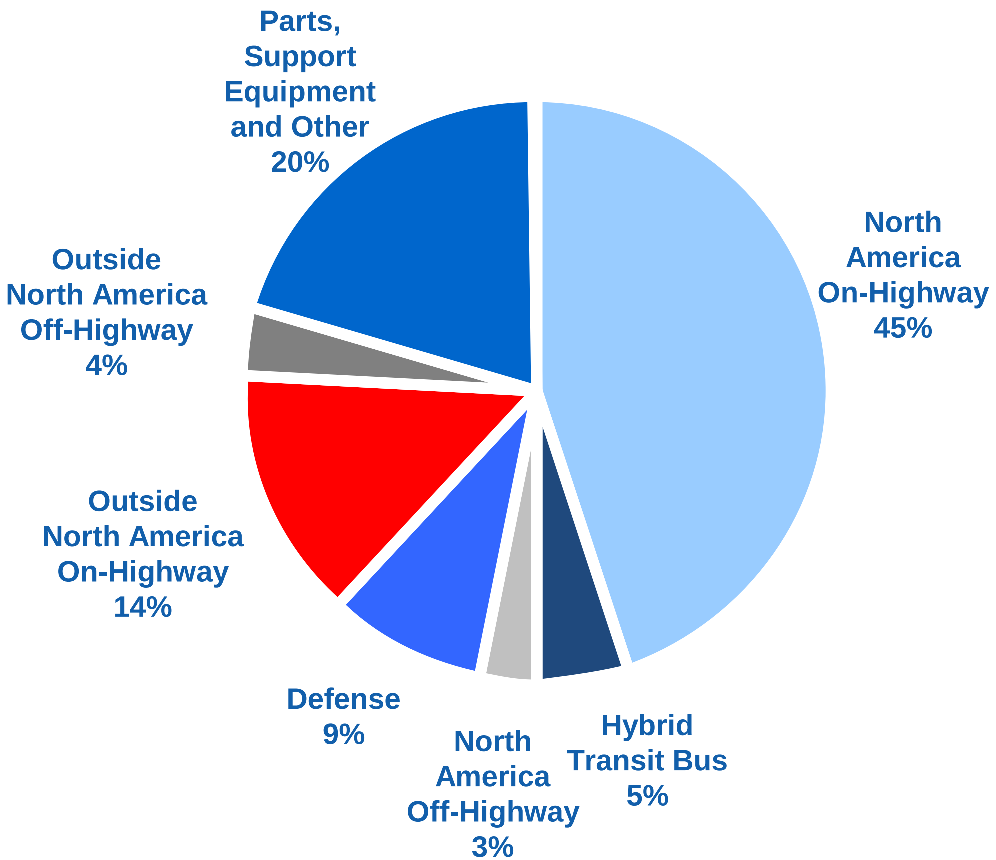
Allison Transmission

Business Overview

Allison Transmission at a Glance

- **World's largest manufacturer of fully-automatic transmissions for medium- and heavy-duty commercial vehicles**
  - 61% 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**
  - Continued recovery in North America
  - Further adoption outside North America
  - Global off-highway growth opportunities
  - Expanding addressable market

LTM(1) Net Sales by End Market

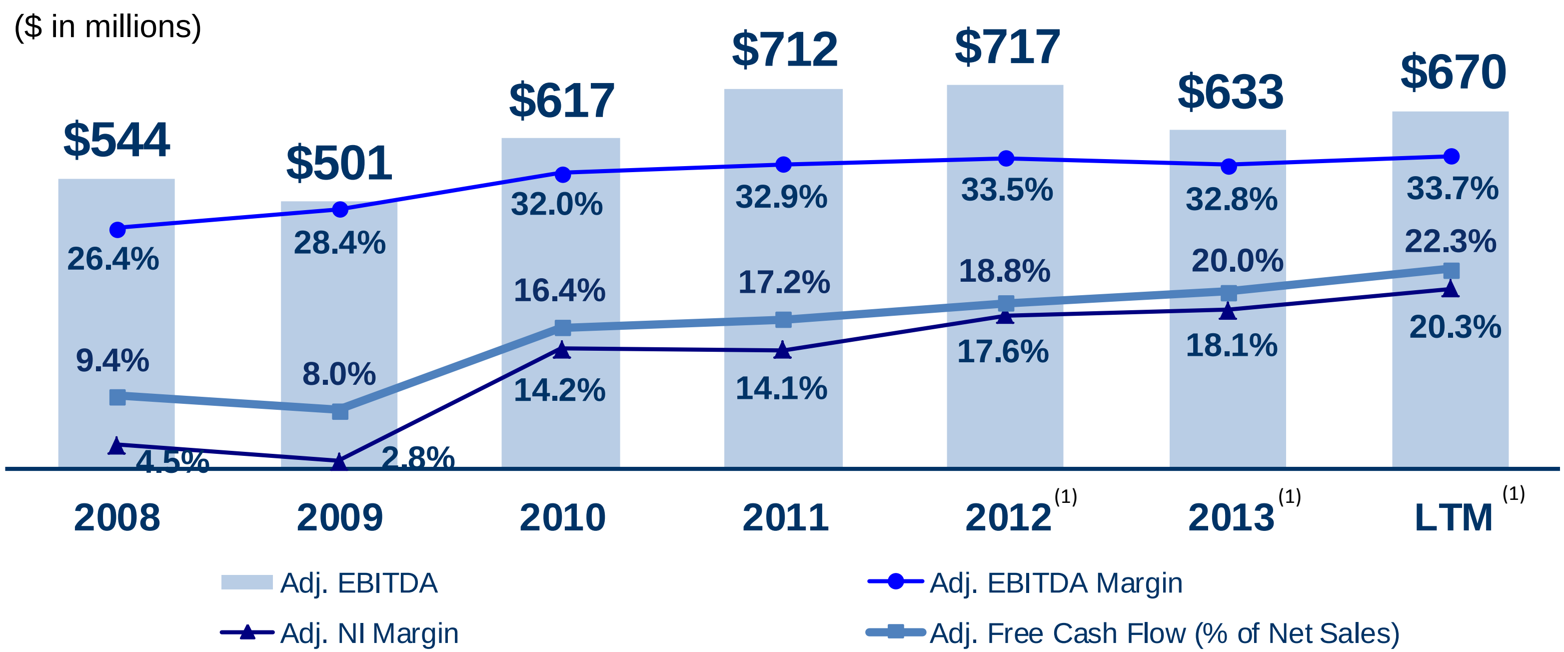


LTM(1) Net Sales: $2.0 billion

(1) LTM 6/30/2014.

Allison Key Financial Highlights

Strong Financial Profile



- **Strong, sustainable operating margins**
- **Low capital expenditure requirements**
- **Minimal cash income taxes / valuable U.S. tax shield ($0.8-$0.9bn present value)**
- **Positioned for long-term cash earnings growth**
- **LTM Adjusted Free Cash Flow of $2.44 per diluted share[(2)]**

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

(1) Adjusted EBITDA and Adjusted EBITDA Margin excluding technology-related license expenses: 2012 of $12 million, 2013 of $6 million and LTM 6/30/14 of $3 million.

(2) LTM 6/30/14 Adjusted Free Cash Flow per diluted share calculated based on diluted weighted average shares of common stock outstanding for the three months ended 6/30/14.

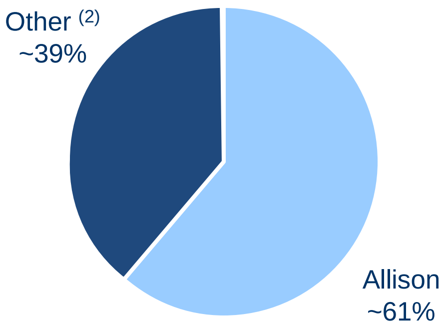
Allison Transmission

Allison Is a Premier Industrial Asset

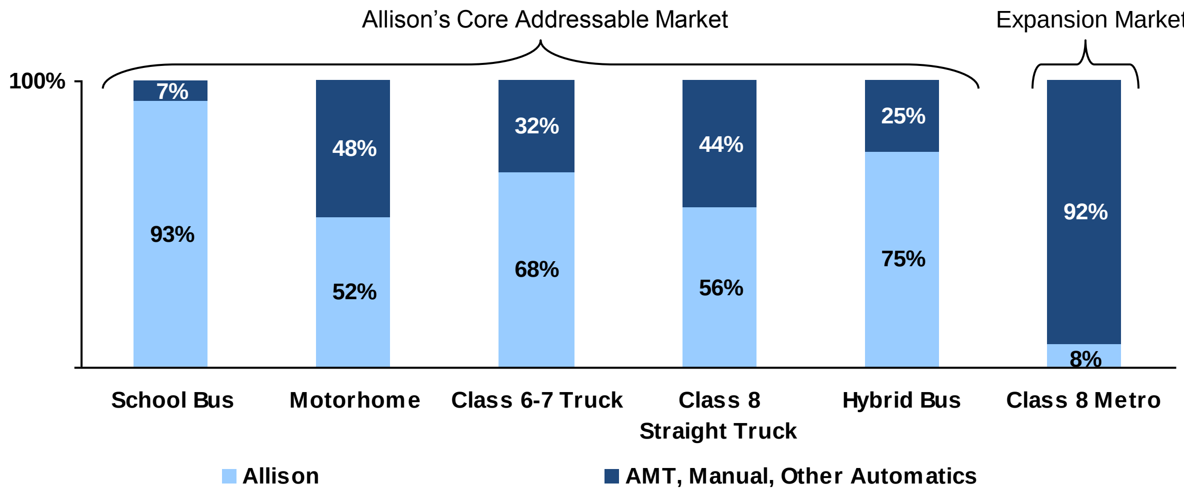
- Global Market Leader
- Premier Brand and End User Value Proposition
- Technology Leadership - The Allison Advantage
- Diverse End Markets with Long-Standing OEM Customer Relationships
- Strong Cash Flow Generation with Well-Defined Capital Allocation Policy
- Multiple Organic Growth Opportunities
-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

Global Market Leader

Global On-Highway Fully-Automatic Share(1)



North American Market Share(1)



- **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**

(1) 2013 Units. Source: Allison and ACT Research.
(2) Majority of "Other" volume is in North American Class 4-5 truck and European bus.

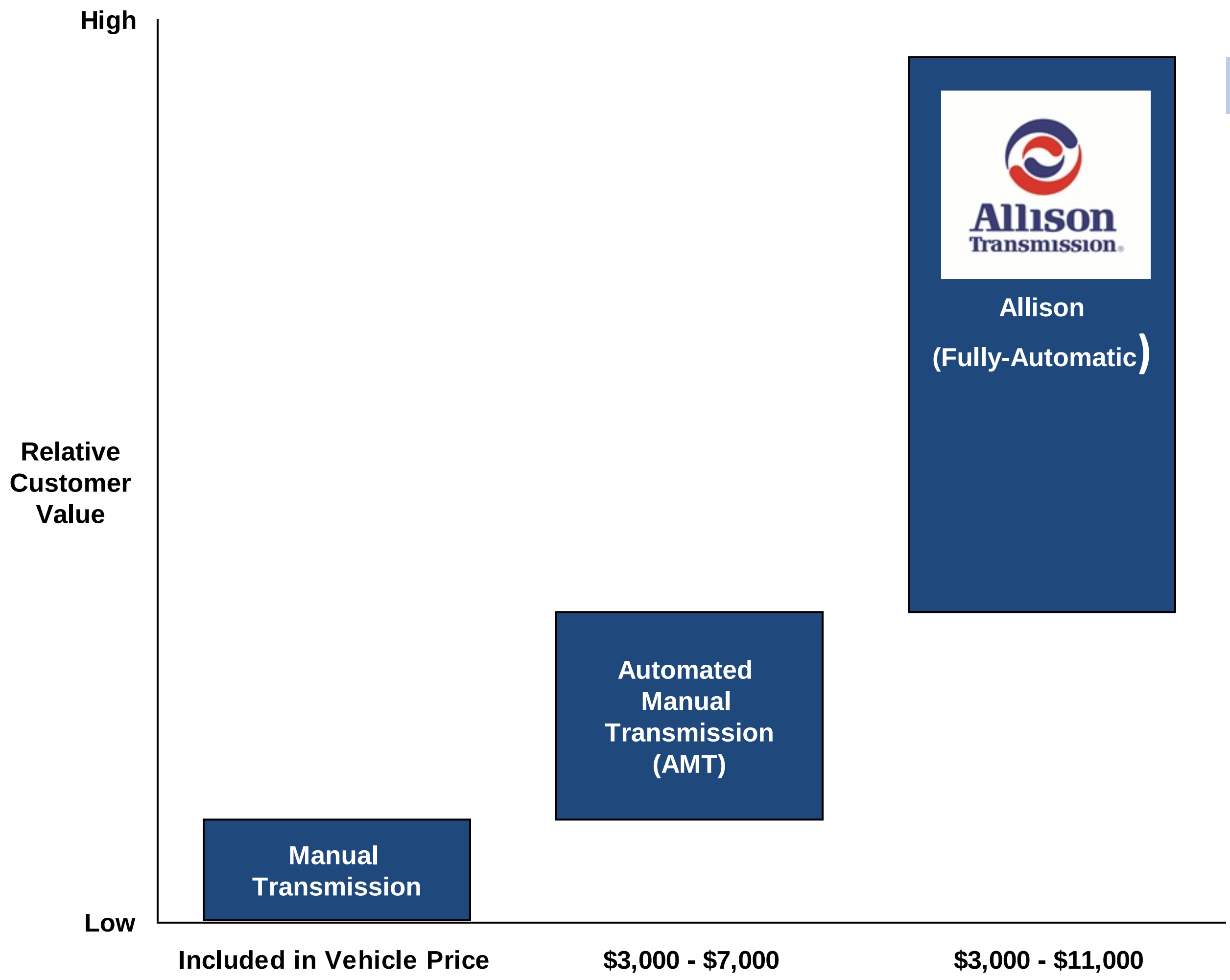
Allison Is a Recognized and Respected Brand

- **The Allison brand is associated with:**
  - High Quality
  - Reliability
  - Durability
  - Vocational Value and Expertise
  - Technological Leadership
  - Superior Customer Service
  - Attractive Total Lifecycle Value
- **95+ 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



Allison Advantage

- \+ Productivity (acceleration)
- \+ Maintenance Savings (life cycle costs)
- \+ Fuel Efficiency
- \+ Driver Skillset / Wages
- \+ Training (time, cost)
- \+ Shift Quality
- \+ Safety
- \+ Residual Value

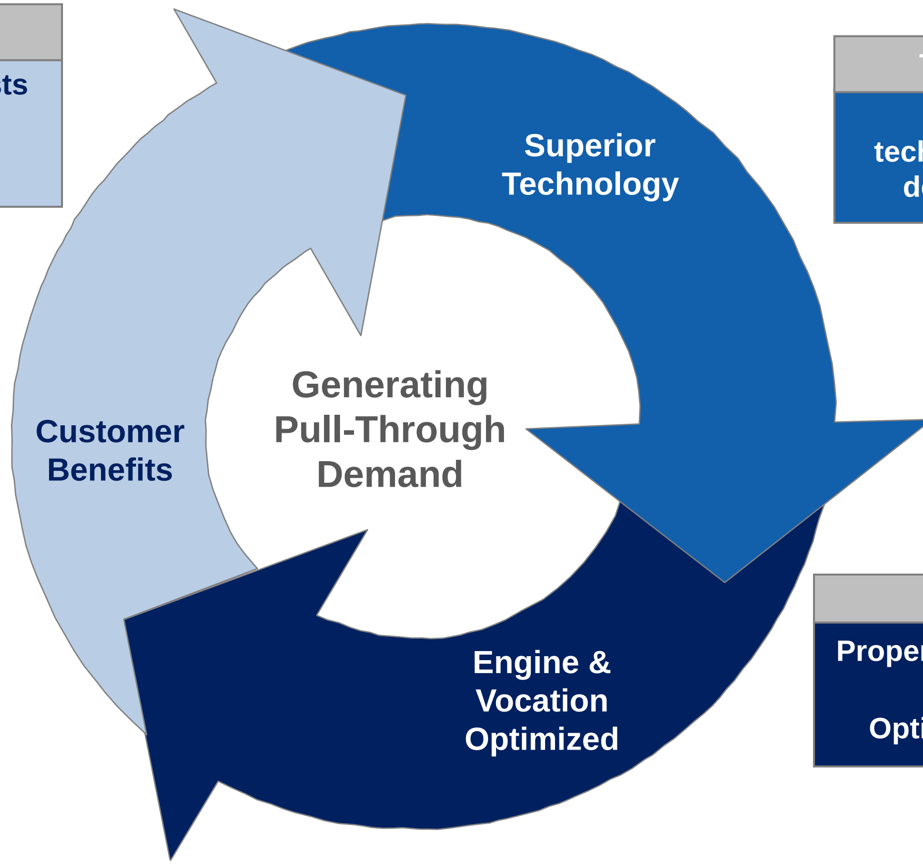
End Users are Willing to Pay a Premium Price for Allison

Allison Transmission

Technology Leadership – The Allison Advantage

Allison transmissions employ complex software algorithms that are <u>individually tailored</u> to maximize end user performance in <u>thousands of vocational duty cycles</u>

Allison Advantage
Lower Vehicle Life Cycle Costs
Superior Performance



Technology Differentiators
Proprietary and patented technology developed over many decades and 6.0 million units

Allison Advantage
Properly Matched to Selected Engine
Optimized for Intended Vocation

End Market & Vocation Overview

Global On-Highway

	Sample Vocations	Select End Users
Distribution		Coca-Cola, Penske Truck Leasing, Frito Lay, pepsi, ups, FedEx, Ryder
Emergency Vehicle		Fire Department City of New York, BAA British Airport Authority
Motorhome		Winnebago Industries, Thor Industries, Inc., Prevost
Rugged Duty		WM Waste Management, Veolia Environmental Services, City of New York Department of Sanitation
School Bus / Shuttle Bus		First Student
Transit Bus		BMCT Beijing City Transit, New Delhi Transit

Global Off-Highway



Select End Users

Halliburton, BJ, Jereh, NL, Terex, Sany

North America Hybrid Transit Bus

Allison Hybrid

Select End Users

SEPTA, metro, King County Metro

Defense


Select End Users

Parts, Support Equipment and Other

Allison Transmission

OEMs Rely on Allison for Fully-Automatic Transmissions

North America	On-Highway	PACCAR, FREIGHTLINER, NAVISTAR®, Pierce, BLUE BIRD, SPARTAN, Mack, OSHKOSH, AUTOCAR
North America	Hybrid Transit Bus	GILLIG, NEW FLYER, ElDorado National, MOTOR COACH INDUSTRIES, NOVA BUS, NABI
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, VANHOOL, 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, NAVISTAR®, BAE SYSTEMS, OSHKOSH, GENERAL DYNAMICS

Over 45 Year Relationship with Many Industry-Leading OEMs

Allison Transmission®

Premier Industrial Asset Financial Profile

	2008	Today 2014 [1]	△	
Net Sales	$2,061mm	$1,987mm	(3.6%)	Despite 2009 cyclical low industry volumes, significant improvement in EBITDA margin and Adjusted Net Income
Adj. EBITDA	$544mm	$670mm	+23.2%	
% Margin	26.4%	33.7%	+730bps	
Adj. Net Income	$93mm	$404mm	+334.4%	
Employees	3,300	2,700	(18.2%)	2009 Hourly buyout plan reduced headcount by ~25%, positioning the company to replace Tier I with Multi-Tier workers and realize operating leverage
UAW Contract	Part of GM	Allison Only		
UAW Wage Structure	Single-Tier	Multi-Tier		
Technology Focus	Enhance Existing Products	New, More Fuel Efficient Technologies		Investing in the development of next generation technologies

Net Debt Reduction of More Than $1.66 [2] Billion Since Acquisition in August 2007

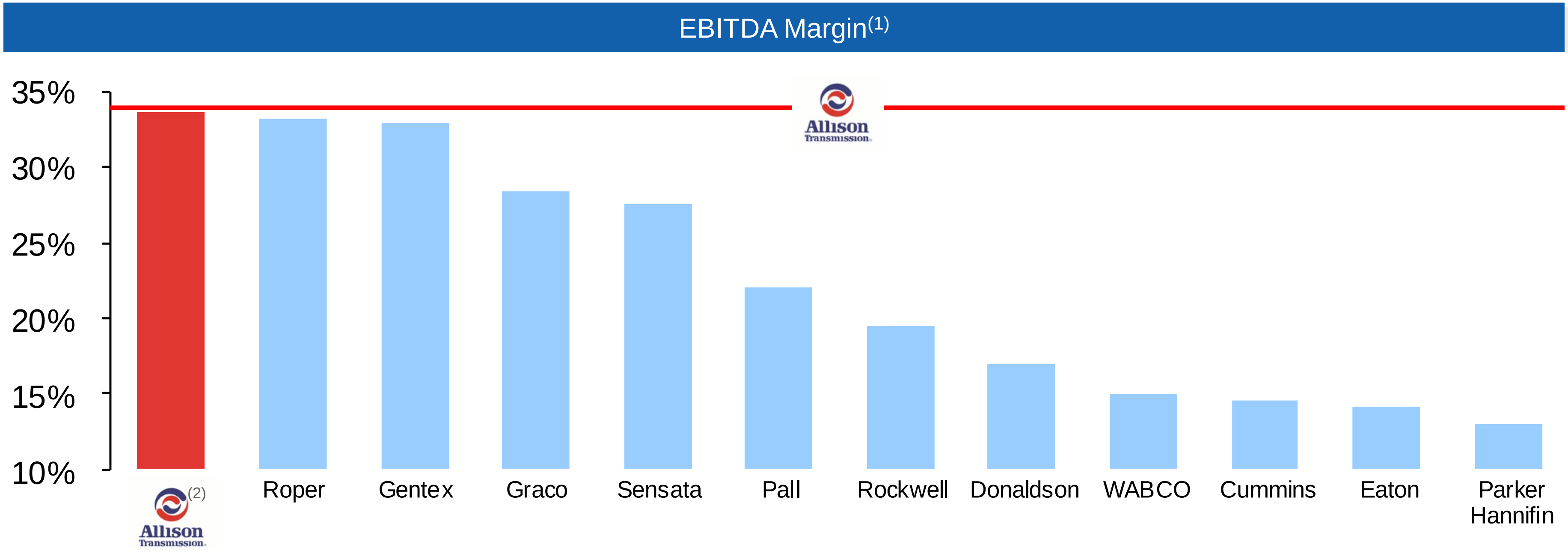
Note: See appendix for comments regarding the presentation of non-GAAP financial information.

(1) LTM 6/30/14 Adjusted EBITDA and Adjusted EBITDA Margin excluding technology-related license expenses of $3 million.

(2) Represents Net Debt reduction through 6/30/2014.

Allison Transmission

Premier Industrial Asset



(1) The LTM period and LTM 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 8/1/2014. EBITDA included above may not be consistent with such entity's reported EBITDA or Adjusted EBITDA, if available.

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

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

Allison Transmission

Multiple Organic Growth Opportunities

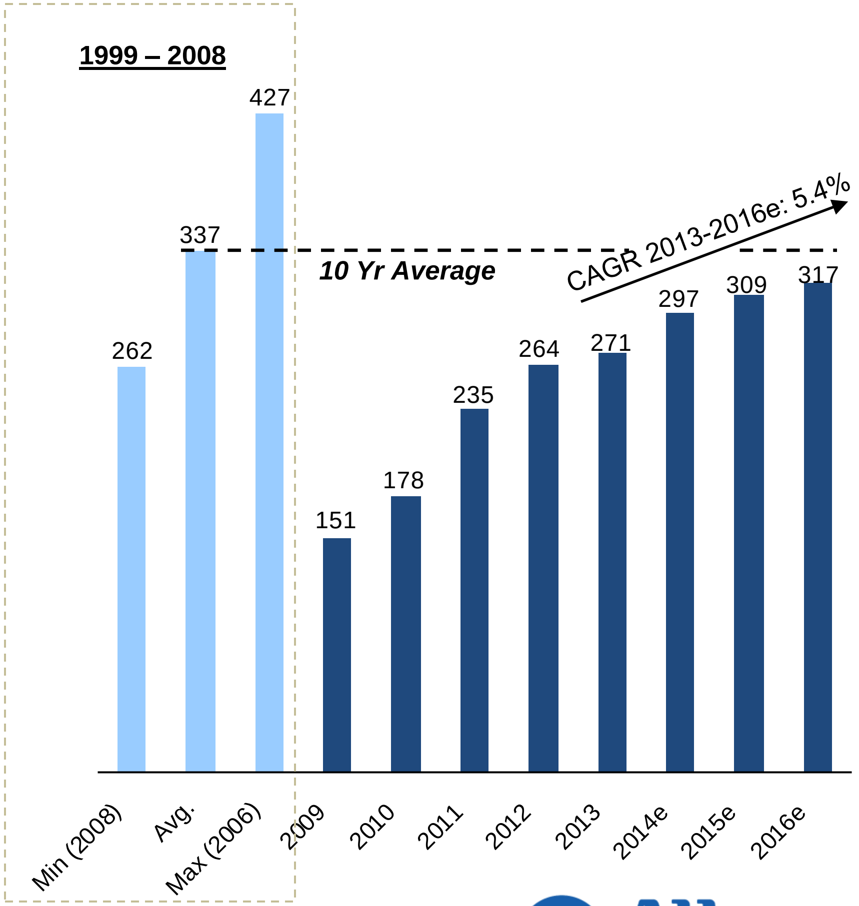
- Benefit from Developed Markets Recovery
- Increase Penetration of Fully Automatic Transmissions
- Accelerate Adoption in Emerging Markets
- Capitalize on Rising Demand for Energy and Commodities
- Continue New Technology and Product Development
- Increase Share in Underserved Markets

Allison Transmission®

Allison Transmission at a Glance

- **Growth opportunity driven by continued cyclical recovery in core North American market (~45% of LTM[(1)] total sales)**
- **Production has rebounded from cyclical lows with further growth fueled by pick-up in economic activity**
  - Housing recovery and increased construction activity drives greater demand for medium and heavy duty trucks
- **Allison's growth is also supported by**
  - Pent up demand from deferred purchases
  - Continued demand for fuel efficient vehicles

North America Production in Allison's Core Addressable Market (units in 000s)[(2)]



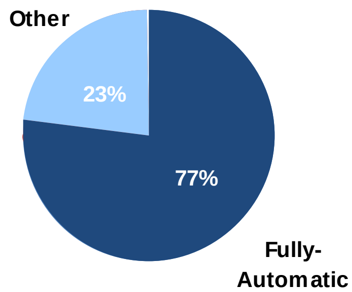
(1) LTM 6/30/14.
(2) Source: ACT Research, July 2014. Includes: Class 4 thru 8 less Class 8 Line Haul & Class 8 Straight with Sleeper. 2014e: Total 519,365 less Class 8 Line Haul of 220,336 less Class 8 Straight with Sleeper of 2,204.

Increased Penetration of Fully – Automatic Transmissions

- **Ongoing need for productivity improvements**
  - — Better acceleration and trip times allow increased miles and revenue
  - — Improved fuel efficiency as a function of work performed
  - — More vehicle uptime
- **Focus on reducing life-cycle costs**
  - — Lower maintenance expense
  - — Improved fuel efficiency
  - — Increased vehicle residual value
- **Micro / demographic trends**
  - — Easier to operate – increases pool of qualified drivers
  - — Less driver training and turnover
  - — Safety factors

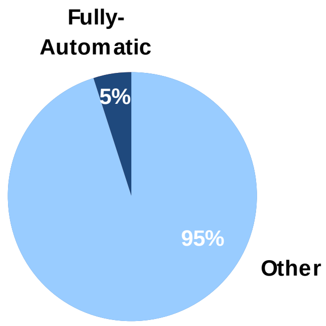
Global Penetration of Fully-Automatic Transmissions

North America(1)



- Since our first transmission over 60yrs ago, we have driven the trend towards increasing automaticity by targeting a diverse range of commercial vehicle vocations

Outside-North America(2)



- Low penetration in markets outside North America presents a significant growth opportunity

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.

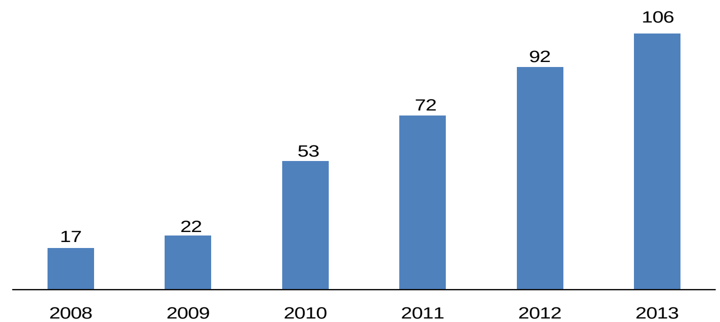
Allison Transmission

Increasing Adoption in Emerging Markets – China Case Study

- **Allison is the #1 supplier of fully-automatic transmissions in China as a result of targeting specific vocations**
  - — Substantial installed base of over 54,000 transmissions in China
  - — Secular growth due to low penetration
- **Allison's existing bus presence serves as entry point for incremental penetration**
- **Significant growth opportunities by targeting a wide range of vocational applications**
  - — Government emphasis on equipment modernization for mining, rescue operations, school buses and other applications
  - — Construction and oil field sector

Allison's China Truck Vocational Focus

Allison's Cumulative China Truck OEM Releases[1]



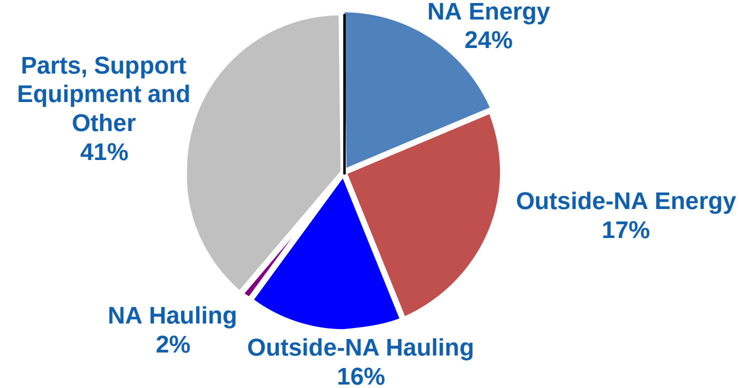
(1) Source: Allison.

Global Off-Highway Growth Opportunities

- **Energy Sectors**
  - Considerable end market cyclicality
  - Multiple opportunities in exploration, fracturing and oil and gas support
    - Currently at trough levels
  - 5% of LTM total sales(1)(2)

- **Mining and Construction**
  - NA, Europe, Middle East, Africa and China
  - Increasing global demand for commodities
  - Increasing urbanization in emerging markets
  - 2% of LTM total sales(1)(2)

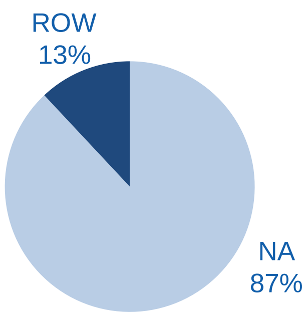
LTM(1) Allison Global Off-Highway Sales



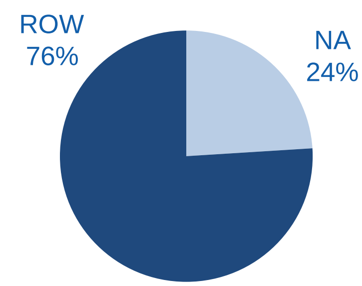
LTM(1) Global Off-Highway Sales: $226 million (11% of total sales)

Hydraulic Fracturing Activity

Current Activity(3)



Total Recoverable Shale Gas(4)



(3) Source: Spears & Associates, June 2012.
(4) Source: U.S. Energy Information Administration, June 2013.

(1) LTM 6/30/14.
(2) Excluding replacement parts and support equipment.

New Product and Technology Development

FuelSense®

- New on-highway product features that automatically adapt shift schedules and torque, maximizing transmission efficiency based on load, grade and duty cycle, without sacrificing Allison advantages – superior performance and Continuous Power Technology™
- Enabled by 5th Generation Electronic Controls: improve fuel economy in any application, acceleration management, precision inclinometer, advanced diagnostic and prognostic displays

2600 Horsepower Hydraulic Fracturing Transmission

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

Class 8 Metro

- Ten-speed fully-automatic transmission targeted at Class 8 tractors serving urban markets
  - Addressable market size of ~60k units
  - Historically a "manual" market underserved by Allison's fully-automatic product portfolio
- Available at Navistar; initial deliveries second quarter 2014

TC10

Hybrid Commercial Vehicle Transmission

- Leading development of first fully-automatic hybrid truck transmission for the Class 6-7 market
- Awarded $63 million U.S. Department of Energy cost-share grant for hybrid development
  - Fuel economy improvements of ~25%-35%
  - Target Vocations: Refuse, Pick-Up & Delivery/Distribution, Utility and Shuttle Bus

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

Allison Transmission

Allison Transmission at a Glance

	North America							
		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 Linehaul
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+
2013 Industry Units Produced	5,996,941	72,760	15,038	28,063	83,999	65,091	56,644	126,482
2013 Allison Share	0%	6%	52%	93%	68%	56%	8%	0%

- Historically, this market had been dominated by Ford and GM who offered their own light-duty/uprated automotive transmissions
- GM exited Medium-Duty truck market in 2009

- "Metro" is a term for tractors that are used primarily in urban environments, which represent ~30% of the Class 8 tractor market between 1998 and 2013; target market for the TC10 transmission

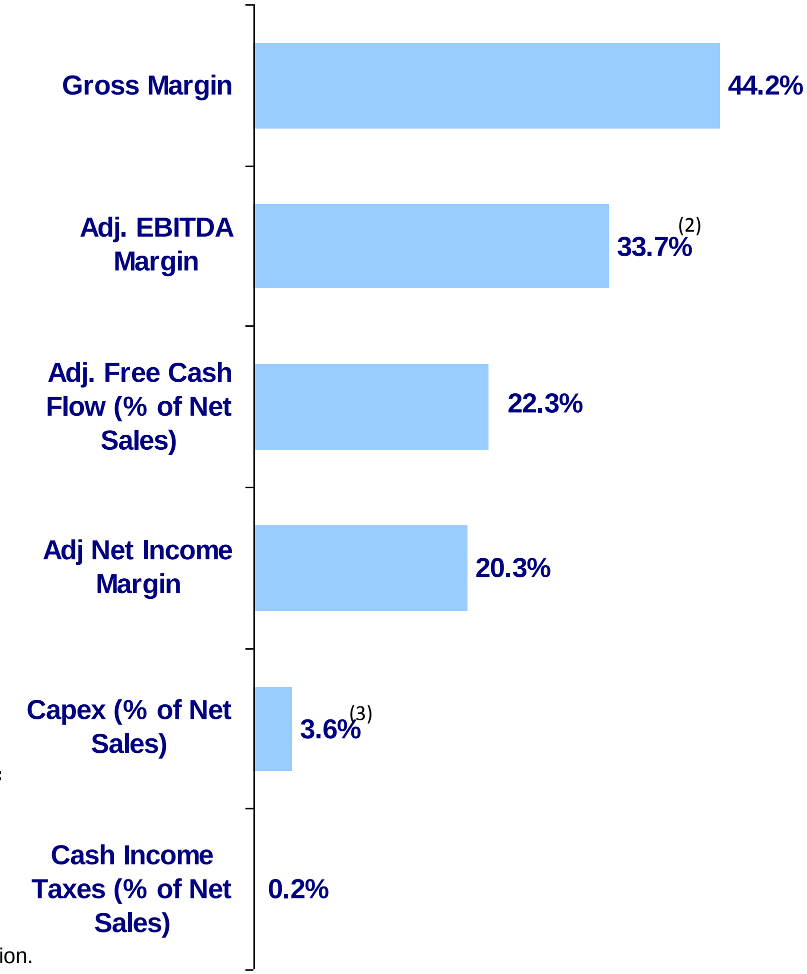
Note: Analysis excludes Allison's Transit/Coach Bus and Hybrid Transit Bus end markets.
Source: Allison and ACT Research.

Financial Overview

Allison Financial Highlights

- **Sustainable operating margins with further enhancement opportunities**
  - End markets diversity
  - Premium vocational pricing model
  - Cost controls and productivity improvements
  - Multi-Tier UAW wage and benefits structure
- **Low capital expenditure requirements**
- **Minimal cash income taxes / valuable U.S. tax shield ($0.8-$0.9bn present value)**
- **Positioned for long-term cash earnings growth**
  - Multiple growth opportunities
  - De-leveraging
- **Strong free cash flow (LTM Adjusted Free Cash Flow of $2.44 per diluted share[4]) supports $0.12 per share quarterly dividend, up from $0.06 per share at time of March 2012 IPO**

LTM[1] Financial Metrics



Note: See appendix for comments regarding the presentation of non-GAAP financial information.
(1) LTM 6/30/14.
(2) Excluding technology-related license expenses of $3 million.
(3) 3.3% excluding Outside-North America manufacturing expansion and new products related.
(4) LTM 6/30/14 Adjusted Free Cash Flow per diluted share calculated based on diluted weighted average shares of common stock outstanding for the three months ended 6/30/14.

Allison Transmission

Allison Quarterly Sales Summary

Quarterly Net Sales by End Market ($ millions)										
	2012				2013				2014	
Net Sales	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
NA On-Highway	$219	$217	$189	$188	$188	$216	$212	$210	$233	$243
NA Hybrid Transit Bus	35	18	30	32	31	27	15	32	24	28
NA Off-Highway	74	44	22	17	8	8	9	14	12	23
Defense	77	80	74	74	57	58	52	35	34	49
ONA On-Highway	66	78	73	73	62	75	70	86	64	62
ONA Off-Highway	32	30	22	30	21	36	16	14	21	24
Parts, Support Equipment & Other	99	92	84	73	90	92	92	100	106	107
Total Net Sales	**$602**	**$559**	**$494**	**$487**	**$457**	**$512**	**$466**	**$491**	**$494**	**$536**
	2012				2013				2014	
Variance - Year over Year	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
NA On-Highway	$55	$28	($10)	$13	($31)	($1)	$23	$22	$45	$27
NA Hybrid Transit Bus	(4)	(22)	2	5	(4)	9	(15)	0	(7)	1
NA Off-Highway	10	(26)	(54)	(53)	(66)	(36)	(13)	(3)	4	15
Defense	(7)	11	(7)	4	(20)	(22)	(22)	(39)	(23)	(9)
ONA On-Highway	9	1	0	3	(4)	(3)	(3)	13	2	(13)
ONA Off-Highway	9	9	(2)	11	(11)	6	(6)	(16)	0	(12)
Parts, Support Equipment & Other	13	2	(9)	(12)	(9)	0	8	27	16	15
Total Net Sales	**$85**	**$3**	**($80)**	**($29)**	**($145)**	**($47)**	**($28)**	**$4**	**$37**	**$24**
	2012				2013				2014	
Variance - Sequential	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
NA On-Highway	$44	($2)	($28)	($1)	$0	$28	($4)	($2)	$23	$10
NA Hybrid Transit Bus	8	($17)	$12	$2	($1)	($4)	($12)	$17	($8)	$4
NA Off-Highway	4	($30)	($22)	($5)	($9)	$0	$1	$5	($2)	$11
Defense	7	$3	($6)	$0	($17)	$1	($6)	($17)	($1)	$15
ONA On-Highway	(4)	$12	($5)	$0	($11)	$13	($5)	$16	($22)	($2)
ONA Off-Highway	13	($2)	($8)	$8	($9)	$15	($20)	($2)	$7	$3
Parts, Support Equipment & Other	14	($7)	($8)	($11)	$17	$2	$0	$8	$6	$1
Total Net Sales	**$86**	**($43)**	**($65)**	**($7)**	**($30)**	**$55**	**($46)**	**$25**	**$3**	**$42**

Allison Transmission®

Strong Financial Profile

Financial Summary

In $ millions	Annual						Quarterly		LTM [(1)]
	2008	2009	2010	2011	2012	2013	2Q 2013	2Q 2014	
Net Sales	$2,061	$1,767	$1,926	$2,163	$2,142	$1,927	$512	$536	$1,987
% Growth	*(5.2%)*	*(14.3%)*	*9.0%*	*12.3%*	*(1.0%)*	*(10.0%)*	*(8.5%)*	*4.7%*	*1.9%*
Adjusted EBITDA [(2)]	544	501	617	712	717	633	172	186	670
% Margin	*26.4%*	*28.4%*	*32.0%*	*32.9%*	*33.5%*	*32.8%*	*33.5%*	*34.7%*	*33.7%*
Effective Cash Tax Rate [(3)]	NM	NM	*2.7%*	*3.9%*	*4.9%*	*1.4%*	*2.2%*	*1.1%*	*1.2%*
Adjusted Net Income	93	50	274	305	376	348	89	117	404
% of Net Sales	*4.5%*	*2.8%*	*14.2%*	*14.1%*	*17.6%*	*18.1%*	*17.5%*	*21.7%*	*20.3%*
Total CapEx	75	88	74	97	124	74	13	12	71
% of Net Sales [(4)]	*3.7%*	*5.0%*	*3.8%*	*4.5%*	*5.8%*	*3.9%*	*2.6%*	*2.2%*	*3.6%*
Adj. Free Cash Flow	193	142	315	372	402	385	117	132	443
% of Net Sales	*9.4%*	*8.0%*	*16.4%*	*17.2%*	*18.8%*	*20.0%*	*22.7%*	*24.6%*	*22.3%*
Adj. FCF per diluted share [(5)]	*$ 1.06*	*$ 0.78*	*$ 1.74*	*$ 2.05*	*$ 2.21*	*$ 2.12*	*$ 0.64*	*$ 0.73*	*$ 2.44*

- Resiliency through the 2009 downturn, evidenced by increasing EBITDA margins and strong free cash flow generation
- Continued investments in global commercial capabilities, new product development and low-cost country manufacturing
- Strong free cash flow driven by high margins, low maintenance capex, and de minimis cash income taxes

Note: See appendix for comments regarding the presentation of non-GAAP financial information.
(1) LTM 6/30/14.
(2) Excluding technology-related license expenses: Q3 2012 $12 million, Q1 2013 $6 million and Q1 2014 of $3 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% and LTM is 3.3% excluding Outside-North America manufacturing expansion and new products related.
(5) LTM 6/30/14 Adjusted Free Cash Flow per diluted share calculated based on diluted weighted average shares of common stock outstanding for the three months ended 6/30/14.

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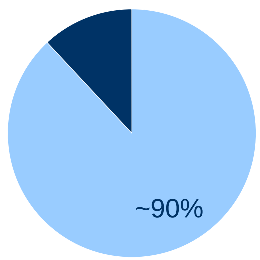
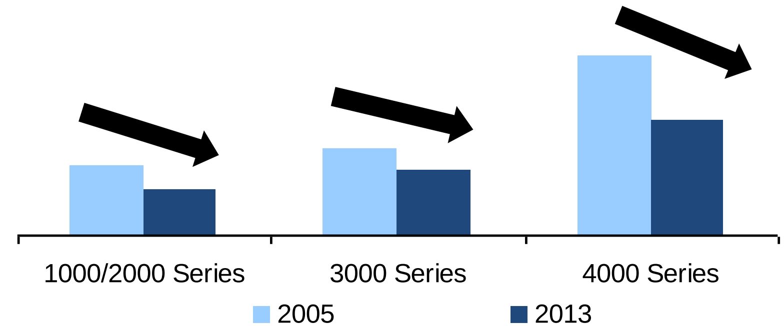
Sustainable Margins with Further Enhancement Opportunities

Long-Term Customer Supply Agreements



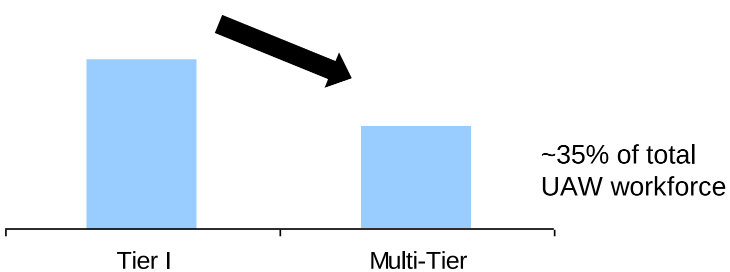
~90% of 2013 N.A. On-Highway Unit Volume was covered by long-term customer supply agreements

Manufacturing Efficiencies (hours/unit)



Hours Per Unit continue to decline

Workforce Optimization (cost/employee) (1)



Significant savings driven by retirement of Tier I workers; 725 hourly employees are retirement eligible (~50% of workforce)

International Manufacturing (1)

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)

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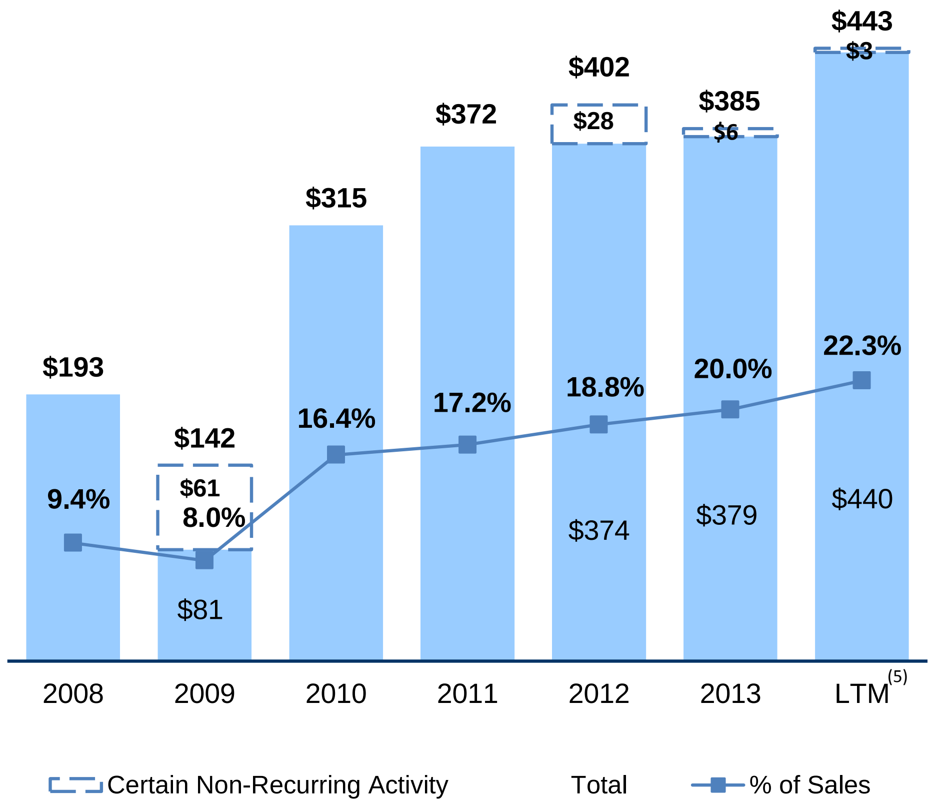
Source: Allison.
(1) As of 6/30/2014.

Significant Cash Flow Generation

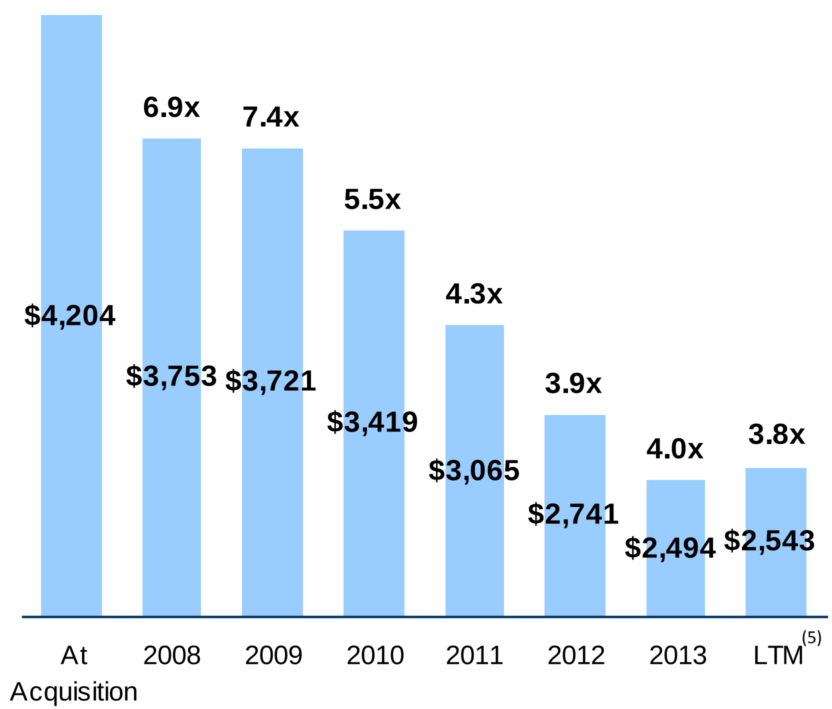
Free Cash Flow Generation[1]

($ in millions)



Net Debt[2]

($ in millions)



Net debt reduction of more than $1.66 bn since acquisition[3]

LTM Adjusted Free Cash Flow of $2.44 per diluted share[4]

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

(1) Free Cash Flow defined as net cash provided by operating activities less CapEx.

(2) Net debt defined as total debt minus cash and cash equivalents.

(3) Represents net debt reduction through 6/30/2014 since acquisition in August 2007.

(4) LTM 6/30/14 Adjusted Free Cash Flow per diluted share calculated based on diluted weighted average shares of common stock outstanding for the three months ended 6/30/14

(5) LTM 6/30/14.

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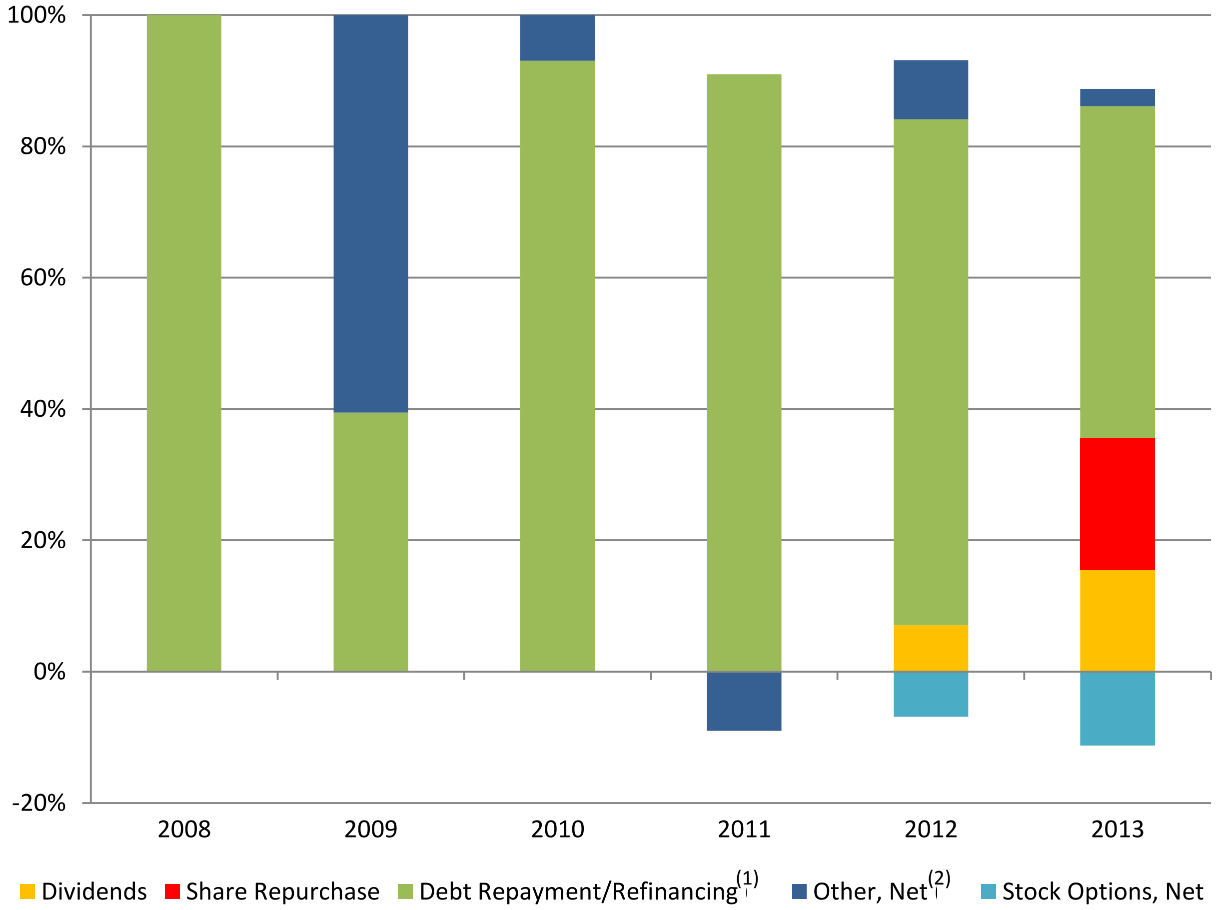
Free Cash Flow Utilization



Well-Defined Capital Allocation Policy

- Return capital to shareholders
- Low-cost and flexible debt structure with longer-dated maturities
- Prudent balance sheet management; medium term net leverage target of 3.0-3.5x
- Realize returns from investments in global commercial capabilities, new product and technology development, and Outside North America manufacturing

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.

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Income Tax Attributes

Income Tax Attributes Overview

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

Cash Income Taxes Paid 2008-2013 ($ millions)					
2008	2009	2010	2011	2012	2013
$4	$6	$2	$6	$11	$4

- As of 12/31/2013 Allison had $2.7bn 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 $346mm as of 12/31/2013

($ millions)	Total	2014	2015	2016	2017	2018	2019	2020	2021	2022
Annual tax amortization	$2,703	$315	$315	$315	$315	$315	$315	$315	$315	$183
Cash tax savings(1)	**1,020**	119	119	119	119	119	119	119	119	68
Cash tax savings of NOLs(2) (3)	**121**									
Grand total	**$1,141**									

Results in present value tax savings of $785-$935mm(4)

(1) Assuming continued profitability and no limitations at an assumed 37.7% federal and state tax rate.
(2) Calculated at a 35.0% federal tax rate on the $346mm of federal NOL carry forward balance as of 12/31/2013.
(3) Over the last year two of the shareholders reduced their holdings resulting in an annual limitation on the utilization of the net operating losses. We do not believe this limitation will impede our ability to fully benefit from the net operating losses.
(4) Based on annual discount rate of 5-10%; includes both amortization of intangibles and federal NOL's (contingent on timing of taxable income).

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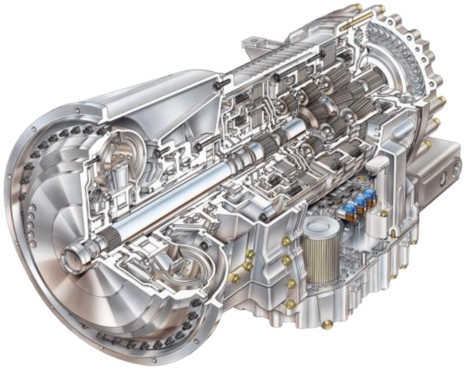
Summary / Guidance

Strategic Priorities

- **Expand global market leadership**
  - Capitalize on continued market 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
  - Advanced fuel efficient technologies
- **Deliver strong financial results**
  - Earnings growth and cash flow generation
  - Focus on margin enhancement
  - Well-defined capital allocation policy



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2014 Full Year Guidance (Published July 23, 2014)

	Guidance	Commentary
Net Sales Growth from 2013	4 to 6 percent	In the second half of 2014 we expect net sales to increase on a year-over-year basis principally driven by improved demand conditions in the North America On-Highway and Off-Highway end markets, weakness in the Outside North America On-Highway end market and previously contemplated reductions in U.S. defense spending
Adjusted EBITDA Margin excluding technology-related license expenses	32.5 to 34.0 percent	Principally driven by sales mix and volume timing
Adjusted Free Cash Flow ($ in millions)	$385 to $425	$2.12 to $2.34 per diluted share
CapEx ($ in millions) Maintenance New Product Programs	 $55 to $60 $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

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

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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 (loss), interest expense, net, income tax expense (benefit), trade name impairment and amortization of intangible assets, less cash interest, net and cash income taxes, and adjusted for certain non-recurring items. Adjusted EBITDA is calculated as the sum of Adjusted net income, cash interest, net, cash income taxes, depreciation of property, plant and equipment and other adjustments as defined by the Senior Secured Credit Facility and as further described below. Adjusted EBITDA excluding technology-related license expenses is calculated as Adjusted EBITDA less technology-related license expenses. Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by net sales. Adjusted EBITDA margin excluding technology-related license expenses is calculated as Adjusted EBITDA excluding technology-related license expenses divided by net sales. Free cash flow is calculated as net cash provided by operating activities less capital expenditures. Adjusted free cash flow is free cash flow adjusted for non-recurring items.

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

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

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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,
	2009	2010	2011	2012	2013	2013	2014	2014
Net (loss) income	**($323.9)**	**$29.6**	**$103.0**	**$514.2**	**$165.4**	**$50.5**	**$57.2**	**$196.7**
plus:								
Interest expense, net	234.2	277.5	217.3	151.2	132.9	33.3	36.6	137.4
Cash interest expense	(242.5)	(239.1)	(208.6)	(167.3)	(159.2)	(49.6)	(39.2)	(148.2)
Income tax expense (benefit)	41.4	53.7	47.6	(298.0)	100.7	31.3	37.5	117.2
Cash income taxes	(5.5)	(2.2)	(5.8)	(10.7)	(3.8)	(1.8)	(1.0)	(3.9)
Fee to terminate services agreement with Sponsors	—	—	—	16.0	—	—	—	—
Technology-related investment expenses	—	—	—	14.4	5.0	—	—	2.5
Public offering expenses	—	—	—	6.1	1.6	0.6	0.8	2.1
Trade name impairment	190.0	—	—	—	—	—	—	—
Amortization of intangible assets	155.9	154.2	151.9	150.0	105.3	25.1	24.7	99.7
Adjusted net income	**$49.6**	**$273.7**	**$305.4**	**$375.9**	**$347.9**	**$89.4**	**$116.6**	**$403.5**
Cash interest expense	242.5	239.1	208.6	167.3	159.2	49.6	39.2	148.2
Cash income taxes	5.5	2.2	5.8	10.7	3.8	1.8	1.0	3.9
Depreciation of property, plant and equipment	105.9	99.6	103.8	102.5	98.7	25.0	24.1	96.4
(Gain)/loss on redemptions and repayments of long-term debt	(8.9)	(3.3)	16.0	22.1	0.8	—	—	0.8
Dual power inverter module extended coverage	11.4	(1.9)	—	9.4	(2.4)	—	—	(2.4)
UAW Local 933 signing bonus	—	—	—	8.8	—	—	—	—
Benefit plan re-measurement	—	—	—	2.3	—	—	—	—
Unrealized (gain) loss on commodity hedge contracts	(5.8)	0.3	6.5	(1.0)	1.5	0.6	(1.2)	(1.5)
Unrealized (gain) loss on foreign exchange	—	(0.2)	0.3	0.1	2.3	(0.1)	1.7	3.2
Premiums and expenses on tender offer for long-term debt	—	—	56.9	—	—	—	—	—
Restructuring charges	47.9	—	—	—	1.0	1.0	0.7	0.7
Reduction of supply contract liability	—	(3.4)	—	—	—	—	—	—
Other, net(1)	53.2	10.9	8.6	7.0	13.8	4.3	4.0	13.4
Adjusted EBITDA	**$501.3**	**$617.0**	**$711.9**	**$705.1**	**$626.6**	**$171.6**	**$186.1**	**$666.2**
Adjusted EBITDA excluding technology-related license expenses	**$501.3**	**$617.0**	**$711.9**	**$717.1**	**$632.6**	**$171.6**	**$186.1**	**$669.5**
Net Sales	**$1,766.7**	**$1,926.3**	**$2,162.8**	**$2,141.8**	**$1,926.8**	**$512.1**	**$536.1**	**$1,987.0**
Adjusted EBITDA margin	**28.4%**	**32.0%**	**32.9%**	**32.9%**	**32.5%**	**33.5%**	**34.7%**	**33.5%**
Adjusted EBITDA margin excl technology-related license expenses	**28.4%**	**32.0%**	**32.9%**	**33.5%**	**32.8%**	**33.5%**	**34.7%**	**33.7%**

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

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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,
	2009	2010	2011	2012	2013	2013	2014	2014
Net Cash Provided by Operating Activities	**$168.7**	**$388.9**	**$469.2**	**$497.5**	**$453.5**	**$129.7**	**$143.4**	**$511.1**
(Deductions) or Additions:								
Long-lived assets	(88.2)	(73.8)	(96.9)	(123.9)	(74.4)	(13.2)	(11.6)	(71.3)
Fee to terminate services agreement with Sponsors	—	—	—	16.0	—	—	—	—
Technology-related license expenses	—	—	—	12.0	6.0	—	—	3.3
2009 Non-Recurring Activity (1)	61.0	—	—	—	—	—	—	—
Adjusted Free Cash Flow	**$141.5**	**$315.1**	**$372.3**	**$401.6**	**$385.1**	**$116.5**	**$131.8**	**$443.1**
Net Sales	**$1,766.7**	**$1,926.3**	**$2,162.8**	**$2,141.8**	**$1,926.8**	**$512.1**	**$536.1**	**$1,987.0**
Adjusted Free Cash Flow (% to Net Sales)	**8.0%**	**16.4%**	**17.2%**	**18.8%**	**20.0%**	**22.7%**	**24.6%**	**22.3%**

(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.

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