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) April 25, 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 April 25, 2016, Allison Transmission Holdings, Inc. ("Allison") published an earnings release reporting its financial results for the three months ended March 31, 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 April 26, 2016 at 8:00 a.m. ET on which its financial results for the three months ended March 31, 2016 will be discussed. The investor presentation materials that will be used for the call are attached as Exhibit 99.2 hereto.

On April 25, 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 April 25, 2016.
99.2	Investor presentation materials dated April 25, 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.

Date: April 25, 2016

Allison Transmission Holdings, Inc.

By:	/s/ Eric C. Scroggins
Name:	Eric C. Scroggins
Title:	Vice President, General Counsel and Secretary

EXHIBIT INDEX

Exhibit Number	Description
99.1	Earnings release dated April 25, 2016.
99.2	Investor presentation materials dated April 25, 2016.

Exhibit 99.1

News Release

Allison Transmission Announces First Quarter 2016 Results

- **Net Sales $462 million, Adjusted Net Income $109 million, Adjusted EBITDA $162 million, Adjusted Free Cash Flow $113 million or $0.66 per Diluted Share, Earnings of $0.28 per Diluted Share**
- **Earnings of $0.33 per Diluted Share excluding Stockholder Activism Expenses of $0.01 and Mark-to-Market Adjustments for Interest Rate Derivatives of $0.04**

INDIANAPOLIS, April 25, 2016 – Allison Transmission Holdings Inc. (NYSE: ALSN), the largest global provider of commercial duty fully-automatic transmissions, today reported net sales for the first quarter of $462 million, an 8 percent decrease from the same period in 2015. The decrease in net sales was principally driven by lower demand in the global Off-Highway and Service Parts, Support Equipment & Other end markets.

Adjusted Net Income, a non-GAAP financial measure, for the quarter was $109 million, compared to Adjusted Net Income of $150 million for the same period in 2015, a decrease of $41 million. Adjusted EBITDA, a non-GAAP financial measure, for the quarter was $162 million, or 35.1 percent of net sales, compared to $190 million, or 37.7 percent of net sales, for the same period in 2015. Adjusted Free Cash Flow, a non-GAAP financial measure, for the quarter was $113 million, or $0.66 per diluted share, compared to $98 million for the same period in 2015, or $0.53 per diluted share.

Lawrence E. Dewey, Chairman and Chief Executive Officer of Allison Transmission commented, “Allison’s first quarter 2016 results are within the full year guidance ranges we provided to the market on February 8. The year-over-year reductions in the global Off-Highway and Service Parts, Support Equipment & Other end markets net sales are consistent with the previously contemplated impact of low energy and commodity prices. Allison demonstrated solid operating margins and free cash flow while executing its prudent and well-defined approach to capital structure and allocation. During the first quarter, we settled $33 million of share repurchases, paid a dividend of $0.15 per share and repaid $6 million of debt. We anticipate no meaningful relief from the global Off-Highway end market challenges and are affirming our full year net sales guidance of a decrease in the range of 6.5 to 9.5 percent.”

First Quarter Net Sales by End Market

End Market	Q1 2016 Net Sales ($M)	Q1 2015 Net Sales ($M)	% Variance
North America On-Highway	257	268	(4%)
North America Hybrid-Propulsion Systems for Transit Bus	17	18	(6%)
North America Off-Highway	5	22	(77%)
Defense	25	25	0%
Outside North America On-Highway	70	57	23%
Outside North America Off-Highway	3	16	(81%)
Service Parts, Support Equipment & Other	85	98	(13%)
Total Net Sales	462	504	(8%)

First Quarter Highlights

North America On-Highway end market net sales were down 4 percent from the same period in 2015 principally driven by lower demand for Rugged Duty Series models and up 2 percent on a sequential basis principally driven by higher demand for Pupil Transport/Shuttle Series models.

North America Hybrid-Propulsion Systems for Transit Bus end market net sales were down 6 percent from the same period in 2015 and down 26 percent sequentially, principally driven by lower demand due to engine emissions improvements and non-hybrid alternatives that generally require a fully-automatic transmission (e.g. XNG).

North America Off-Highway end market net sales were down 77 percent from the same period in 2015 and down 55 percent on a sequential basis principally driven by lower demand from hydraulic fracturing applications.

Defense end market net sales were flat with the same period in 2015 and flat sequentially, principally driven by higher demand for Wheeled Defense offset by lower demand for Tracked Defense.

Outside North America On-Highway end market net sales were up 23 percent from the same period in 2015 principally driven by higher demand in Europe and Japan and up 8 percent on a sequential basis principally driven by higher demand in Japan.

Outside North America Off-Highway end market net sales were down 81 percent from the same period in 2015 and down 57 percent sequentially, principally driven by lower demand in the energy and mining sectors.

Service Parts, Support Equipment & Other end market net sales were down 13 percent from the same period in 2015 principally driven by lower demand for global Off-Highway service parts partially offset by higher demand for global On-Highway service parts and down 11 percent on a sequential basis principally driven by lower demand for global service parts.

Gross profit for the quarter was $215 million, a decrease of 10 percent from $239 million for the same period in 2015. Gross margin for the quarter was 46.5 percent, a decrease of 100 basis points from a gross margin of 47.5 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 favorable direct material costs and lower manufacturing expense commensurate with decreased net sales.

Selling, general and administrative expenses for the quarter were $83 million, an increase of $6 million after excluding stockholder activism expenses of $4 million, from $73 million for the same period in 2015. The increase was principally driven by a favorable 2015 adjustment related to the dual power inverter module (“DPIM”) extended coverage program, an unfavorable 2016 adjustment related to the DPIM extended coverage program and unfavorable product warranty adjustments.

Engineering – research and development expenses for the quarter were $22 million, flat with the same period in 2015.

First Quarter Non-GAAP Financial Measures

Adjusted Net Income for the quarter was $109 million, compared to $150 million for the same period in 2015, a decrease of $41 million. The decrease was principally driven by decreased net sales, stockholder activism expenses, DPIM extended coverage program adjustments, increased cash interest expense and unfavorable product warranty adjustments partially offset by favorable direct material costs and lower manufacturing expense.

Adjusted EBITDA for the quarter was $162 million, or 35.1 percent of net sales, compared to $190 million, or 37.7 percent of net sales, for the same period in 2015. The decrease was principally driven by decreased net sales and unfavorable product warranty adjustments partially offset by favorable direct material costs and lower manufacturing expense.

Adjusted Free Cash Flow for the quarter was $113 million compared to $98 million for the same period in 2015, an increase of $15 million. The increase was principally driven by increased net cash provided by operating activities partially offset by increased capital expenditures and decreased excess tax benefit from stock-based compensation.

Full Year 2016 Guidance Update

We are affirming the full year 2016 guidance ranges released to the market on February 8: net sales decrease of 6.5 to 9.5 percent year over year, an Adjusted EBITDA margin of 32.5 to 34 percent, an Adjusted Free Cash Flow of $400 to $450 million, capital expenditures of $65 to $75 million and cash income taxes of $10 to $15 million.

Although we are not providing specific second quarter 2016 guidance, Allison does expect second quarter net sales to be up 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, April 26 to discuss its first 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 April 26 until 11:59 p.m. ET on May 3. The replay dial-in number is 1-858-384-5517 and the U.S. toll-free replay dial-in number is 1-877-870-5176. The replay passcode is 13634691.

About Allison Transmission

Allison Transmission (NYSE: ALSN) is the world's largest manufacturer of fully automatic transmissions for medium- and heavy-duty commercial vehicles and is a leader in hybrid-propulsion systems for city buses. Allison transmissions are used in a variety of applications including refuse, construction, fire, distribution, bus, motorhomes, defense and energy. Founded in 1915, the company is headquartered in Indianapolis, Indiana, USA and employs approximately 2,700 people worldwide. With a market presence in more than 80 countries, Allison has regional headquarters in the Netherlands, China and Brazil with manufacturing facilities in the U.S., Hungary and India. Allison also has approximately 1,400 independent distributor and dealer locations worldwide. For more information, visit allisontransmission.com.

Forward-Looking Statements

This press release contains forward-looking statements. All statements other than statements of historical fact contained in this press release are forward-looking statements, including all statements regarding future financial results. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plans," "project," "anticipate," "believe," "estimate," "predict," "intend," "forecast," "could," "potential," "continue" or the negative of these terms or other similar terms or phrases. Forward-looking statements are not guarantees of future performance and involve known and unknown risks. Factors which may cause the actual results to differ materially from those anticipated at the time the forward-looking statements are made include, but are not limited to: risks related to our substantial indebtedness; our participation in markets that are competitive; the highly cyclical industries in which certain of our end users operate; the failure of markets outside North America to increase adoption of fully-automatic transmissions; the concentration of our net sales in our top five customers and the loss of any one of these; future reductions or changes in government subsidies for hybrid vehicles, U.S. defense spending; general economic and industry conditions; the discovery of defects in our products, resulting in delays in new model launches, recall campaigns and/or increased warranty costs and reduction in future sales or damage to our brand and reputation; our ability to prepare for, respond to and successfully achieve our objectives relating to technological and market developments and changing customer needs; risks associated with our international operations; labor strikes, work stoppages or similar labor disputes, which could significantly disrupt our operations or those of our principal customers; and other risks and uncertainties associated with our business described in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that the expectations will be attained or that any deviation will not be material. All information is as of the date of this press release, and we undertake no obligation to update any forward-looking statement to conform the statement to actual results or changes in expectations.

Use of Non-GAAP Financial Measures

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

Attachment

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

Contacts

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

	Three months ended March 31, 2016	2015
Net sales	$ 462.1	$ 503.6
Cost of sales	247.0	264.4
Gross profit	215.1	239.2
Selling, general and administrative expenses	82.6	73.4
Engineering - research and development	21.8	22.2
Loss associated with impairment of long-lived assets	—	1.3
Operating income	110.7	142.3
Interest expense, net	(34.1)	(36.9)
Other (expense) income, net	(0.1)	2.8
Income before income taxes	76.5	108.2
Income tax expense	(28.2)	(39.8)
Net income	$ 48.3	$ 68.4
Basic earnings per share attributable to common stockholders	$ 0.28	$ 0.38
Diluted earnings per share attributable to common stockholders	$ 0.28	$ 0.38

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

	March 31, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 299.1	$ 251.6
Accounts receivables - net of allowance for doubtful accounts of $0.6 and $0.4, respectively	219.0	195.0
Inventories	142.7	141.4
Other current assets	29.5	28.8
Total Current Assets	690.3	616.8
Property, plant and equipment, net	466.3	479.7
Intangible assets, net	3,252.5	3,275.8
Other non-current assets	32.1	36.1
TOTAL ASSETS	$4,441.2	$ 4,408.4
LIABILITIES		
Current Liabilities		
Accounts payable	$ 134.1	$ 126.2
Current portion of long term debt	24.5	24.5
Other current liabilities	160.9	153.9
Total Current Liabilities	319.5	304.6
Long term debt	2,348.3	2,352.7
Other non-current liabilities	590.6	562.5
TOTAL LIABILITIES	3,258.4	3,219.8
TOTAL STOCKHOLDERS' EQUITY	1,182.8	1,188.6
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$4,441.2	$ 4,408.4

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

	Three months ended March 31, 2016	2015
Net cash provided by operating activities	$ 117.9	$ 91.0
Net cash used for investing activities (a)	(6.3)	(1.2)
Net cash used for financing activities	(64.8)	(85.6)
Effect of exchange rate changes in cash	0.7	(2.1)
Net increase in cash and cash equivalents	47.5	2.1
Cash and cash equivalents at beginning of period	251.6	263.0
Cash and cash equivalents at end of period	$ 299.1	$ 265.1
Supplemental disclosures:		
Interest paid	$ 21.6	$ 18.5
Income taxes paid	$ 3.3	$ 2.5
(a) Additions of long-lived assets	$ (6.4)	$ (1.3)

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

	Three months ended March 31, 2016	Three months ended March 31, 2015
Net income	$ 48.3	$ 68.4
plus:		
Interest expense, net	34.1	36.9
Cash interest expense	(21.6)	(18.5)
Income tax expense	28.2	39.8
Cash income taxes	(3.3)	(2.5)
Amortization of intangible assets	23.4	24.3
Loss associated with impairment of long-lived assets (a)	—	1.3
Adjusted net income	$109.1	$149.7
Cash interest expense	21.6	18.5
Cash income taxes	3.3	2.5
Depreciation of property, plant and equipment	20.7	21.4
Stockholder activism expenses (b)	3.6	—
Dual power inverter module extended coverage (c)	1.5	(1.8)
Unrealized loss (gain) on foreign exchange (d)	0.6	(2.3)
Unrealized gain on commodity hedge contracts (e)	(0.5)	(0.2)
Loss on repayments of long-term debt (f)	—	0.2
Stock-based compensation expense (g)	2.2	2.1
Adjusted EBITDA	$162.1	$190.1
Net sales	$462.1	$503.6
Adjusted EBITDA margin	35.1%	37.7%
Net Cash Provided by Operating Activities	$117.9	$ 91.0
(Deductions) or Additions to Reconcile to Adjusted Free Cash Flow:		
Additions of long-lived assets	(6.4)	(1.3)
Stockholder activism expenses (b)	1.0	—
Excess tax benefit from stock-based compensation (h)	—	7.8
Adjusted Free Cash Flow	$112.5	$ 97.5

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

(b) Represents expenses ($3.6 million)(recorded in Selling, general and administrative expenses) and payments ($1.0 million) directly associated with stockholder activism activity including the notice, and subsequent withdrawal, of director nomination and governance proposals by Ashe Capital Management, LP.

(c) 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.

(d) Represents losses (gains) (recorded in Other (expense) income, net) on the mark-to-market of our foreign currency hedge contracts and on intercompany financing transactions related to investments in plant assets for our India facility.

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

(f) Represents losses (recorded in Other (expense) income, net) realized on the repayments of Allison Transmission, Inc.'s, our wholly owned subsidiary, long-term debt.

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

(h) 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.

Exhibit 99.2

Q1 2016 Earnings Release

Published April 25, 2016 (Earnings Conference Call April 26, 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 net income, Adjusted EBITDA, Adjusted EBITDA margin, 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 margin, 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 margin is calculated as Adjusted EBITDA 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. We use Adjusted EBITDA and Adjusted EBITDA margin 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 margin, and adjusted free cash flow enhances our investors' overall understanding of operating performance and cash flow of our business.

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

Call Agenda

- Q1 2016 Performance
- Full Year 2016 Guidance Update

Q1 2016 Performance Summary

($ in millions)	Q1 2016	Q1 2015	% Variance
Net Sales	$462	$504	(8.2%)
Gross Margin %	46.5%	47.5%	(100 bps)
Adjusted Net Income (1)	$109	$150	(27.1%)
Adjusted Free Cash Flow (1)	$113	$98	15.4%

Commentary

Net Sales: the decrease was principally driven by lower demand in the global Off-Highway and Service Parts, Support Equipment & Other end markets.

Gross Margin: the decrease was principally driven by decreased net sales partially offset by favorable direct material costs and lower manufacturing expense commensurate with decreased net sales.

Adjusted Net Income: the decrease was principally driven by decreased net sales, stockholder activism expenses, dual power inverter module ("DPIM") extended coverage program adjustments, increased cash interest expense and unfavorable product warranty adjustments partially offset by favorable direct material costs and lower manufacturing expense.

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

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

Q1 2016 Sales Performance

($ in millions)

End Markets	Q1 2016	Q1 2015	% Variance	Commentary
North America On-Hwy	$257	$268	(4%)	Principally driven by lower demand for Rugged Duty Series models
North America Hybrid-Propulsion Systems for Transit Bus	$17	$18	(6%)	Principally driven by lower demand due to engine emissions improvements and non-hybrid alternatives that generally require a fully-automatic transmission (e.g. XNG)
North America Off-Hwy	$5	$22	(77%)	Principally driven by lower demand from hydraulic fracturing applications
Defense	$25	$25	0%	Principally driven by higher demand for Wheeled Defense offset by lower demand for Tracked Defense
Outside North America On-Hwy	$70	$57	23%	Principally driven by higher demand in Europe and Japan
Outside North America Off-Hwy	$3	$16	(81%)	Principally driven by lower demand in the energy and mining sectors
Service Parts, Support Equipment & Other	$85	$98	(13%)	Principally driven by lower demand for global Off-Highway service parts partially offset by higher demand for global On-Highway service parts
Total	**$462**	**$504**	**(8%)**	

Q1 2016 Financial Performance

($ in millions, except share data)	Q1 2016	Q1 2015	$ Var	% Var	Commentary
Net Sales	$462.1	$503.6	($41.5)	(8.2%)	Decrease was principally driven by lower demand in the global Off-Highway and Service Parts, Support Equipment & Other end markets
Cost of Sales	$247.0	$264.4	$17.4	6.6%	
Gross Profit	$215.1	$239.2	($24.1)	(10.1%)	Decrease was principally driven by decreased net sales partially offset by favorable direct material costs and lower manufacturing expense commensurate with decreased net sales
Operating Expenses					
Selling, General and Administrative Expenses	$82.6	$73.4	($9.2)	(12.5%)	Increase principally driven by stockholder activism expenses, DPIM extended coverage program adjustments and unfavorable product warranty adjustments
Engineering – Research and Development	$21.8	$22.2	$0.4	1.8%	
Impairment Loss(1)	$0.0	$1.3	$1.3	100%	
Total Operating Expenses	$104.4	$96.9	($7.5)	(7.7%)	
Operating Income	$110.7	$142.3	($31.6)	(22.2%)	
Interest Expense, net	($34.1)	($36.9)	$2.8	7.6%	Decrease principally driven by debt repayments and refinancing partially offset by unfavorable mark-to-market adjustments for our interest rate derivatives
Other Income (Expense), net	($0.1)	$2.8	($2.9)	(103.6%)	Decrease principally driven by foreign exchange losses on intercompany financing
Income Before Income Taxes	$76.5	$108.2	($31.7)	(29.3%)	
Income Tax Expense	($28.2)	($39.8)	$11.6	29.1%	
Net Income	$48.3	$68.4	($20.1)	(29.4%)	
Diluted Earnings Per Share	$0.28	$0.38	($0.10)	(26.3%)	Q1 2016: 171.5M shares; Q1 2015: 182.4M shares
Adjusted Net Income(2)	$109.1	$149.7	($40.6)	(27.1%)	
Adjusted EBITDA(2)	$162.1	$190.1	($28.0)	(14.7%)	

(1) 2015: Impairment of long lived assets and accrued expenses related to the production of the H3000 and H4000 hybrid propulsion systems.
(2) See Appendix for a reconciliation from Net Income.

Q1 2016 Cash Flow Performance

($ in millions)	Q1 2016	Q1 2015	$ Variance	% Variance	Commentary
Net Cash Provided by Operating Activities	$118	$91	$27	29.6%	Principally driven by decreased operating working capital, lower incentive compensation payments, decreased excess tax benefit from stock-based compensation and favorable direct material cost partially offset by decreased net sales and increased cash interest expense
CapEx	$6	$1	$5	392.3%	Principally driven by timing of productivity and replacement programs spending
Adjusted Free Cash Flow (1)	$113	$98	$15	15.4%	Principally driven by increased net cash provided by operating activities partially offset by increased capital expenditures and lower excess tax benefit from stock-based compensation

($ in millions)	Q1 2016	Q1 2015	$ Variance	% Variance	Commentary
Operating Working Capital(2) Percentage of LTM Net Sales	11.7%	11.0%	N/A	70 bps	Principally driven by reduced LTM Net Sales partially offset by lower inventories
Cash Paid for Interest	$22	$18	$4	16.8%	Sr. Notes refinancing impact of monthly vs semi-annual settlements partially offset by rate changes due to refinancing
Cash Paid for Income Taxes	$3	$2	$1	32.0%	In line with prior period

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

2016 Guidance Update - Summary

	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

APPENDIX
Non-GAAP Financial Information

Non-GAAP Reconciliations (1 of 2)

Adjusted Net Income and Adjusted EBITDA reconciliation

$ in millions, Unaudited	For the year ended December 31					Three months ended March 31,		Last twelve months ended March 31,
	2011	2012	2013	2014	2015	2015	2016	2016
Net income	**$103.0**	**$514.2**	**$165.4**	**$228.6**	**$182.3**	**$68.4**	**$48.3**	**$162.2**
plus:								
Interest expense, net	217.3	151.2	132.9	138.4	114.5	36.9	34.1	111.7
Cash interest expense, net	(208.6)	(167.3)	(159.2)	(140.0)	(97.1)	(18.5)	(21.6)	(100.2)
Income tax expense (benefit)	47.6	(298.0)	100.7	139.5	106.5	39.8	28.2	94.9
Cash income taxes	(5.8)	(10.7)	(3.8)	(5.0)	(5.2)	(2.5)	(3.3)	(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	—	—	—	15.4	81.3	1.3	—	80.0
Environmental Remediation	—	—	—	—	14.0	—	—	14.0
Amortization of intangible assets	151.9	150.0	105.3	98.8	97.1	24.3	23.4	96.2
Adjusted net income	**$305.4**	**$375.9**	**$347.9**	**$479.1**	**$493.4**	**$149.7**	**$109.1**	**$452.8**
Cash interest expense	208.6	167.3	159.2	140.0	97.1	18.5	21.6	100.2
Cash income taxes	5.8	10.7	3.8	5.0	5.2	2.5	3.3	6.0
Depreciation of property, plant and equipment	103.8	102.5	98.7	93.8	88.3	21.4	20.7	87.6
Loss on redemptions and repayments of long-term debt	16.0	22.1	0.8	0.5	0.3	0.2	—	0.1
Stockholder activism expenses	—	—	—	—	—	—	3.6	3.6
Dual power inverter module extended coverage	—	9.4	(2.4)	1.0	(2.1)	(1.8)	1.5	1.2
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	(0.2)	(0.5)	0.8
Unrealized loss (gain) on foreign exchange	0.3	0.1	2.3	5.2	1.4	(2.3)	0.6	4.3
Premiums and expenses on tender offer and redemption of long-term debt	56.9	—	—	—	25.3	—	—	25.3
Restructuring charges	—	—	1.0	0.7	—	—	—	—
Other, net[1]	8.6	7.0	13.8	14.7	9.8	2.1	2.2	9.9
Adjusted EBITDA	**$711.9**	**$705.1**	**$626.6**	**$739.0**	**$719.8**	**$190.1**	**$162.1**	**$691.8**
Adjusted EBITDA excluding technology-related license expenses	**$711.9**	**$717.1**	**$632.6**	**$745.1**	**$720.0**	**$190.1**	**$162.1**	**$692.0**
Net Sales	**$2,162.8**	**$2,141.8**	**$1,926.8**	**$2,127.4**	**$1,985.8**	**$503.6**	**$462.1**	**$1,944.3**
Adjusted EBITDA margin	**32.9%**	**32.9%**	**32.5%**	**34.7%**	**36.2%**	**37.7%**	**35.1%**	**35.6%**
Adjusted EBITDA margin excl technology-related license expenses	**32.9%**	**33.5%**	**32.8%**	**35.0%**	**36.3%**	**37.7%**	**35.1%**	**35.6%**

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

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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 March 31,		Last twelve months ended March 31,
	2011	2012	2013	2014	2015	2015	2016	2016
Net Cash Provided by Operating Activities	**$469.2**	**$497.5**	**$463.5**	**$573.3**	**$579.9**	**$91.0**	**$117.9**	**$606.8**
(Deductions) or Additions:								
Long-lived assets	(96.9)	(123.9)	(74.4)	(64.1)	(58.1)	(1.3)	(6.4)	(63.2)
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	—	—	—	—	—	—	1.0	1.0
Excess tax benefit from stock-based compensation	—	5.3	13.7	24.6	8.4	7.8	—	0.6
Adjusted Free Cash Flow	**$372.3**	**$406.9**	**$408.8**	**$539.9**	**$530.4**	**$97.5**	**$112.5**	**$545.4**
Net Sales	**$2,162.8**	**$2,141.8**	**$1,926.8**	**$2,127.4**	**$1,985.8**	**$503.6**	**$462.1**	**$1,944.3**
Adjusted Free Cash Flow (% to Net Sales)	**17.2%**	**19.0%**	**21.2%**	**25.4%**	**26.7%**	**19.4%**	**24.3%**	**28.1%**

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