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 16, 2014

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 16, 2014, Allison Transmission Holdings, Inc. ("Allison") published an earnings release reporting its financial results for the three months ended March 31, 2014. 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 17, 2014 at 8:00 a.m. ET on which its financial results for the three months ended March 31, 2014 will be discussed. The investor presentation materials that will be used for the call are attached as Exhibit 99.2 hereto.

On April 16, 2014, 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 16, 2014.
99.2	Investor presentation materials dated April 16, 2014.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	Allison Transmission Holdings, Inc.	
Date: April 16, 2014	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 16, 2014.
99.2	Investor presentation materials dated April 16, 2014.

Exhibit 99.1

News Release

Allison Transmission Announces First Quarter 2014 Results

- **Net Sales $494 million, Adjusted Net Income $108 million, Adjusted EBITDA excluding technology-related license expenses $169 million and Adjusted Free Cash Flow $91 million**

INDIANAPOLIS, April 16, 2014 – Allison Transmission Holdings Inc. (NYSE: ALSN), the largest global provider of commercial duty fully-automatic transmissions, today reported net sales for the quarter of $494 million, an 8 percent increase from the same period in 2013. Adjusted Net Income, a non-GAAP financial measure, for the quarter was $108 million, compared to Adjusted Net Income of $80 million for the same period in 2013, an increase of $28 million. Diluted earnings per share for the quarter were $0.28.

The increase in net sales was principally driven by the continued recovery in the North America On-Highway end market, our largest, and higher demand in the Service Parts, Support Equipment & Other end market partially offset by previously contemplated reductions in U.S. defense spending.

Adjusted EBITDA, a non-GAAP financial measure, for the quarter was $166 million, or 33.6 percent of net sales, compared to $141 million, or 30.8 percent of net sales, for the same period in 2013. Excluding $3 million of technology-related license expenses, Adjusted EBITDA for the first quarter 2014 was $169 million, or 34.3 percent of net sales. Excluding $6 million of technology-related license expenses, Adjusted EBITDA for the first quarter 2013 was $147 million, or 32.1 percent of net sales. Adjusted Free Cash Flow, also a non-GAAP financial measure, for the quarter was $91 million compared to $48 million for the same period in 2013.

Lawrence E. Dewey, Chairman, President and Chief Executive Officer of Allison Transmission commented, “Our first quarter 2014 results are within the full year guidance ranges we provided to the market on February 13. Net sales improved on a year-over-year basis for the second consecutive quarter. Continued recovery in the North American On-Highway end market and higher demand for global service parts are encouraging and consistent with our full year guidance which we are affirming. Highlighting our commitment to the return of capital to Allison’s shareholders we completed a $100 million share repurchase and paid a quarterly dividend of $0.12 per share.”

First Quarter Net Sales by End Market

End Market	Q1 2014 Net Sales ($M)	Q1 2013 Net Sales ($M)	% Variance
North America On-Highway	233	188	24%
North America Hybrid-Propulsion Systems for Transit Bus	24	31	(23%)
North America Off-Highway	12	8	50%
Defense	34	57	(40%)
Outside North America On-Highway	64	62	3%
Outside North America Off-Highway	21	21	0%
Service Parts, Support Equipment & Other	106	90	18%
Total Net Sales	494	457	8%

First Quarter Highlights

North America On-Highway end market net sales were up 24 percent from the same period in 2013 principally driven by higher demand for Rugged Duty Series, Highway Series and Pupil Transport/Shuttle Series models, and up 11 percent on a sequential basis principally driven by higher demand for Rugged Duty Series and Pupil Transport/Shuttle Series models.

North America Hybrid-Propulsion Systems for Transit Bus end market net sales were down 23 percent from the same period in 2013 and 25 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 up 50 percent from the same period in 2013 principally driven by higher demand from hydraulic fracturing applications, and down 14 percent on a sequential basis principally driven by the precipitous rate of improvement in demand from hydraulic fracturing applications experienced in the fourth quarter of 2013.

Defense end market net sales were down 40 percent from the same period in 2013 and 3 percent sequentially principally driven by previously considered reductions in U.S. defense spending to longer term averages experienced during periods without active conflicts.

Outside North America On-Highway end market net sales were up 3 percent from the same period in 2013 reflecting strength in China bus partially offset by weakness in Europe truck due to fourth quarter 2013 Euro VI emissions pre-buy activities, and down 26 percent on a sequential basis principally driven by fourth quarter 2013 China bus tender timing and Europe truck Euro VI emissions pre-buy activities.

Outside North America Off-Highway end market net sales were flat compared with the same period in 2013 principally driven by modestly improved demand conditions in the mining sector offsetting lower demand from the energy sector, and up 50 percent on a sequential basis principally driven by modestly improved demand conditions in the mining sector.

Service Parts, Support Equipment & Other end market net sales were up 18 percent from the same period in 2013 principally driven by higher demand for global service parts, and global On-Highway support equipment commensurate with increased transmission unit volumes, and up 6 percent on a sequential basis principally driven by higher demand for global service parts and support equipment.

Gross profit for the quarter was $223 million, an increase of 12 percent from gross profit of $198 million for the same period in 2013. Gross margin for the quarter was 45.1 percent, an increase of 170 basis points from a gross margin of 43.4 percent for the same period in 2013. The increase in gross profit from the same period in 2013 was principally driven by increased net sales.

Selling, general and administrative expenses for the quarter were $83 million, a decrease of 5 percent from $88 million for the same period in 2013. The decrease was principally driven by a $5 million reduction in intangible asset amortization.

Engineering – research and development expenses for the quarter were $25 million, a decrease of 16 percent from $29 million for the same period in 2013. The decrease was principally driven by a $3 million reduction in technology-related license expenses.

First Quarter Non-GAAP Financial Measures

Adjusted EBITDA for the quarter was $166 million, or 33.6 percent of net sales, compared to $141 million, or 30.8 percent of net sales, for the same period in 2013. Excluding $3 million of technology-related license expenses Adjusted EBITDA for the first quarter 2014 was $169 million, or 34.3 percent of net sales. Excluding $6 million of technology-related license expenses Adjusted EBITDA for the first quarter 2013 was $147 million, or 32.1 percent of net sales. The increase in Adjusted EBITDA from the same period in 2013 was principally driven by increased net sales and a $3 million reduction in technology-related license expenses.

Adjusted Net Income for the quarter was $108 million compared to $80 million for the same period in 2013. The increase was principally driven by increased Adjusted EBITDA.

Adjusted Free Cash Flow for the quarter was $91 million compared to $48 million for the same period in 2013. The increase was principally driven by increased net cash provided by operating activities, decreased capital expenditures and a $3 million reduction in technology-related license expenses. The decrease in capital expenditures was principally driven by lower product initiatives spending partially offset by increased investments in productivity and replacement programs.

Full Year 2014 Guidance Update

We are affirming our full year 2014 guidance released to the market on February 13: net sales increase in the range of 3 to 6 percent, an Adjusted EBITDA margin excluding technology-related license expenses in the range of 32 to 34 percent, an Adjusted Free Cash Flow in the range of $375 to $425 million, capital expenditures in the range of $60 to $70 million and cash income taxes in the range of $10 to $15 million.

Although we are not providing specific second quarter 2014 guidance, Allison expects second quarter net sales to be higher than the same period in 2013. The anticipated year-over-year increase in second quarter net sales is expected to be principally driven by higher demand in the North America On-Highway, North America Off-Highway and Service Parts, Support Equipment & Other end markets partially offset by previously considered reductions in Defense net sales.

Conference Call and Webcast

The company will host a conference call at 8:00 a.m. ET on Thursday April 17 to discuss its first quarter 2014 results. Dial-in number is 1-201-689-8470 and the U.S. toll-free dial-in number is 1-877-407-9039. The passcode for the call is 13580054. 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 17 until 11:59 p.m. ET on April 24. 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 13580054.

About Allison Transmission

Allison Transmission (NYSE: ALSN) is the world's largest manufacturer of fully-automatic transmissions for medium- and heavy-duty commercial vehicles. 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
(Dollars in millions, except per share data)

	Three months ended March 31, 2014 (Unaudited)	2013 (Unaudited)
Net sales	$ 493.6	$ 457.4
Cost of sales	271.1	259.1
Gross profit	222.5	198.3
Selling, general and administrative expenses	83.2	87.9
Engineering - research and development	24.5	29.0
Operating income	114.8	81.4
Interest expense, net	(35.1)	(33.9)
Other expense, net	(0.4)	(3.1)
Income before income taxes	79.3	44.4
Income tax expense	(27.2)	(16.9)
Net income	$ 52.1	$ 27.5
Basic earnings per share attributable to common stockholders	$ 0.29	$ 0.15
Diluted earnings per share attributable to common stockholders	$ 0.28	$ 0.15

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

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	$ 159.9	$ 184.7
Accounts receivables - net of allowance for doubtful accounts of $0.5 and $0.4, respectively	227.2	175.1
Inventories	175.6	160.4
Deferred income taxes, net	58.1	58.1
Other current assets	31.8	28.6
Total Current Assets	652.6	606.9
Property, plant and equipment, net	551.1	563.4
Intangible assets, net	3,527.1	3,551.8
Deferred income taxes, net	1.1	1.1
Other non-current assets	88.0	89.4
TOTAL ASSETS	$ 4,819.9	$ 4,812.6
LIABILITIES		
Current Liabilities		
Accounts payable	$ 173.3	$ 150.4
Current portion of long term debt	19.5	17.9
Other current liabilities	218.3	218.9
Total Current Liabilities	411.1	387.2
Long term debt	2,656.0	2,660.4
Other non-current liabilities	359.0	326.2
TOTAL LIABILITIES	3,426.1	3,373.8
TOTAL STOCKHOLDERS' EQUITY	1,393.8	1,438.8
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 4,819.9	$ 4,812.6

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

	Three months ended March 31, 2014 (Unaudited)	2013 (Unaudited)
Net cash provided by operating activities	$ 98.6	$ 54.7
Net cash used for investing activities (a)	(15.1)	(19.1)
Net cash (used for) provided by financing activities	(105.7)	2.1
Effect of exchange rate changes in cash	(2.6)	3.0
Net (decrease) increase in cash and cash equivalents	(24.8)	40.7
Cash and cash equivalents at beginning of period	184.7	80.2
Cash and cash equivalents at end of period	$ 159.9	$ 120.9
Supplemental disclosures:		
Interest paid	$ 29.4	$ 30.0
Income taxes paid	$ 2.1	$ 1.2
(a) Additions of long-lived assets	$ (11.1)	$ (12.6)

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
Net income	$ 52.1	$ 27.5
plus:		
Interest expense, net	35.1	33.9
Cash interest expense	(29.4)	(30.0)
Income tax expense	27.2	16.9
Cash income taxes	(2.1)	(1.2)
Impairment loss on technology-related investments (a)	—	2.5
Public offering expenses (b)	0.3	—
Amortization of intangible assets	24.7	29.9
Adjusted net income	$107.9	$ 79.5
Cash interest expense	29.4	30.0
Cash income taxes	2.1	1.2
Depreciation of property, plant and equipment	23.3	24.7
Unrealized (gain) loss on foreign exchange (c)	(0.3)	0.6
Unrealized loss on commodity hedge contracts (d)	0.1	1.3
Stock-based compensation expense (e)	3.3	3.4
Adjusted EBITDA	$165.8	$140.7
Adjusted EBITDA excluding technology-related license expenses (f)	$169.1	$146.7
Net sales	$493.6	$457.4
Adjusted EBITDA margin	33.6%	30.8%
Adjusted EBITDA margin excluding technology-related license expenses (f)	34.3%	32.1%
Net Cash Provided by Operating Activities	$ 98.6	$ 54.7
(Deductions) or Additions to Reconcile to Adjusted Free Cash Flow:		
Additions of long-lived assets	(11.1)	(12.6)
Technology-related license expenses (f)	3.3	6.0
Adjusted Free Cash Flow	$ 90.8	$ 48.1

(a) Represents an impairment charge (recorded in Other expense, net) for investments in co-development agreements to expand our position in transmission technologies.
(b) Represents fees and expenses (recorded in Other expense, net) related to our secondary offering in February 2014.
(c) Represents (gains) losses (recorded in Other expense, net) on the mark-to-market of our foreign currency hedge contracts.
(d) Represents losses (recorded in Other expense, net) on the mark-to-market of our commodity hedge contracts.
(e) Represents employee stock compensation expense (recorded in Cost of sales, Selling, general and administrative expenses, and Engineering – research and development).
(f) Represents payments (recorded in Engineering – research and development) for licenses to expand our position in transmission technologies.

Exhibit 99.2

Q1 2014 Earnings Release

Published April 16, 2014 (Earnings Conference Call April 17, 2014)

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

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

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.

Call Agenda

- Q1 2014 Performance
- Full Year 2014 Guidance Update

Q1 2014 Performance Summary

($ in millions)	Q1 2014	Q1 2013	% Variance
Net Sales	$494	$457	7.9%
Gross Margin %	45.1%	43.4%	+170 bps
Adjusted Net Income (1)	$108	$80	35.7%
Adjusted Free Cash Flow(1)	$91	$48	88.8%

Commentary

Net Sales: the increase was principally driven by the continued recovery in the North America On-Highway end market, our largest, and higher demand in the Service Parts, Support Equipment and Other end market partially offset by previously contemplated reductions in U.S. defense spending.

Gross Margin: the increase was principally driven by increased net sales.

Adjusted Net Income: the increase was principally driven by increased net sales and a $3 million reduction in technology-related license expenses.

Adjusted Free Cash Flow: the increase was principally driven by increased net cash provided by operating activities, decreased capital expenditures and a $3 million reduction in technology-related license expenses.

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

Allison Transmission

Q1 2014 Sales Performance

($ in millions)

End Markets	Q1 2014	Q1 2013	% Variance	Commentary
North America On-Hwy	$233	$188	24%	Increased demand for Rugged Duty, Highway and Pupil Transport/Shuttle Series models
North America Hybrid-Propulsion Systems for Transit Bus	$24	$31	(23%)	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	$12	$8	50%	Increased demand driven by hydraulic fracturing applications
Defense	$34	$57	(40%)	Continued reductions in U.S. defense spending to longer term averages experienced during periods without active conflicts
Outside North America On-Hwy	$64	$62	3%	Strength in China bus partially offset by weakness in Europe truck due to fourth quarter 2013 Euro VI emissions pre-buy activities
Outside North America Off-Hwy	$21	$21	0%	Flat with same period in 2013 principally driven by modestly improved demand conditions in the mining sector offsetting lower demand from the energy sector
Service Parts, Support Equipment & Other	$106	$90	18%	Increased demand for global service parts and global On-Highway support equipment
Total	**$494**	**$457**	**8%**	

Q1 2014 Financial Performance

($ in millions, except share data)	Q1 2014	Q1 2013	$ Var	% Var	Commentary
Net Sales	$493.6	$457.4	$36.2	7.9%	Increase was principally driven by the continued recovery in the North America On-Highway end market and higher demand in the Service Parts, Support Equipment and Other end market partially offset by previously contemplated reductions in U.S. defense spending
Cost of Sales	$271.1	$259.1	($12.0)	(4.6%)	
Gross Profit	$222.5	$198.3	$24.2	12.2%	Increase principally driven by increased net sales
Operating Expenses					
Selling, general and administrative expenses	$83.2	$87.9	$4.7	5.3%	Decrease principally driven by a $5 million reduction in intangible asset amortization
Engineering –research and development	$24.5	$29.0	$4.5	15.5%	Decrease principally driven by a $3 million reduction in technology-related license expenses
Total operating expenses	$107.7	$116.9	$9.2	7.9%	
Operating Income	$114.8	$81.4	$33.4	41.0%	
Interest Expense, net	($35.1)	($33.9)	($1.2)	(3.5%)	Increase principally driven by less favorable mark-to-market adjustments for interest rate derivatives partially offset debt repayments and lower rates
Other Expense, net	($0.4)	($3.1)	$2.7	87.1%	Decrease principally driven by the 2013 loss on investments in technology-related initiatives
Income Before Income Taxes	$79.3	$44.4	$34.9	78.6%	
Income Tax Expense	($27.2)	($16.9)	($10.3)	(60.9%)	Change in effective tax rate principally driven by a 2013 discrete expense item and a prior period statutory change in a state apportionment rate recorded in the first quarter 2014
Net Income	$52.1	$27.5	$24.6	89.5%	
Diluted Earnings Per Share	$0.28	$0.15	$0.13	86.7%	Q1 2014: 185.9M shares; Q1 2013: 187.8M shares
Adjusted EBITDA (1)	$165.8	$140.7	$25.1	17.8%	
Adjusted EBITDA excluding technology-related license expenses (1)	$169.1	$146.7	$22.4	15.3%	
Adjusted Net Income (1)	$107.9	$79.5	$28.4	35.7%	

Allison Transmission.

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

Q1 2014 Cash Flow Performance

($ in millions)	Q1 2014	Q1 2013	$ Variance	% Variance	Commentary
Net Cash Provided by Operating Activities	$99	$55	$44	80.3%	Principally driven by increased net income and deferred revenue
CapEx	$11	$13	($2)	(11.9%)	Lower product initiatives spending partially offset by increased investments in productivity and replacement programs
Adjusted Free Cash Flow (1)	$91	$48	$43	88.8%	Increased cash provided by operating activities, decreased capital expenditures and a $3 million reduction in technology-related license expenses

($ in millions)	Q1 2014	Q1 2013	$ Variance	% Variance	Commentary
Operating Working Capital(2) Percentage of LTM Sales	11.7%	10.5%	N/A	120 bps	Principally driven by higher Q1 2014 Net Sales and the deferral of certain tracked transmission shipments at the request of the U.S. government
Cash Paid for Interest	$29	$30	($1)	(2.3%)	Principally driven by debt repayments and refinancing
Cash Paid for Income Taxes	$2	$1	$1	75.0%	Foreign payments timing

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

Allison Transmission

Full Year 2014 Guidance Update

	Guidance	Commentary
Net Sales Growth from 2013	3 to 6 percent	Consistent with our previous guidance we expect a continued recovery in the North America On-Highway end market, lower demand in the North America Hybrid-Propulsion Systems for Transit Bus end market due to engine emissions improvements and non-hybrid alternative technologies that generally require a fully-automatic transmission (e.g. xNG), a slowly emerging improvement in demand from the North America energy sector's hydraulic fracturing market, previously considered reductions in U.S. defense spending to longer term averages experienced during periods without active conflicts, growth in the Outside North America On-Highway end market, moderately improved second half demand conditions in the Outside North America Off-Highway end market and higher demand in the Service Parts, Support Equipment & Other end market.
Adjusted EBITDA Margin excluding technology-related license expenses	32 to 34 percent	Principally driven by sales mix and volume timing
Adjusted Free Cash Flow ($ in millions)	$375 to $425	$2.00 to $2.25 per diluted share
CapEx ($ 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

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,
	2009	2010	2011	2012	2013	2013	2014	2014
Net (loss) income	**($323.9)**	**$29.6**	**$103.0**	**$514.2**	**$165.4**	**$27.5**	**$52.1**	**$190.0**
plus:								
Interest expense, net	234.2	277.5	217.3	151.2	132.9	33.9	35.1	134.1
Cash interest expense	(242.5)	(239.1)	(208.6)	(167.3)	(159.2)	(30.0)	(29.4)	(158.6)
Income tax expense (benefit)	41.4	53.7	47.6	(298.0)	100.7	16.9	27.2	111.0
Cash income taxes	(5.5)	(2.2)	(5.8)	(10.7)	(3.8)	(1.2)	(2.1)	(4.7)
Fee to terminate services agreement with Sponsors	—	—	—	16.0	—	—	—	—
Technology-related investment expenses	—	—	—	14.4	5.0	2.5	—	2.5
Public offering expenses	—	—	—	6.1	1.6	—	0.3	1.9
Trade name impairment	190.0	—	—	—	—	—	—	—
Amortization of intangible assets	155.9	154.2	151.9	150.0	105.3	29.9	24.7	100.1
Adjusted net income	**$49.6**	**$273.7**	**$305.4**	**$375.9**	**$347.9**	**$79.5**	**$107.9**	**$376.3**
Cash interest expense	242.5	239.1	208.6	167.3	159.2	30.0	29.4	158.6
Cash income taxes	5.5	2.2	5.8	10.7	3.8	1.2	2.1	4.7
Depreciation of property, plant and equipment	105.9	99.6	103.8	102.5	98.7	24.7	23.3	97.3
(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	1.3	0.1	0.3
Unrealized (gain) loss on foreign exchange	—	(0.2)	0.3	0.1	2.3	0.6	(0.3)	1.4
Premiums and expenses on tender offer for long-term debt	—	—	56.9	—	—	—	—	—
Restructuring charges	47.9	—	—	—	1.0	—	—	1.0
Reduction of supply contract liability	—	(3.4)	—	—	—	—	—	—
Other, net (1)	53.2	10.9	8.6	7.0	13.8	3.4	3.3	13.7
Adjusted EBITDA	**$501.3**	**$617.0**	**$711.9**	**$705.1**	**$626.6**	**$140.7**	**$165.8**	**$651.7**
Adjusted EBITDA excluding technology-related license expenses	**$501.3**	**$617.0**	**$711.9**	**$717.1**	**$632.6**	**$146.7**	**$169.1**	**$655.0**
Net Sales	**$1,766.7**	**$1,926.3**	**$2,162.8**	**$2,141.8**	**$1,926.8**	**$457.4**	**$493.6**	**$1,963.0**
Adjusted EBITDA margin	**28.4%**	**32.0%**	**32.9%**	**32.9%**	**32.5%**	**30.8%**	**33.6%**	**33.2%**
Adjusted EBITDA margin excl technology-related license expenses	**28.4%**	**32.0%**	**32.9%**	**33.5%**	**32.8%**	**32.1%**	**34.3%**	**33.4%**

(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.

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,
	2009	2010	2011	2012	2013	2013	2014	2014
Net Cash Provided by Operating Activities	**$168.7**	**$388.9**	**$469.2**	**$497.5**	**$453.5**	**$54.7**	**$98.6**	**$497.4**
(Deductions) or Additions:								
Long-lived assets	(88.2)	(73.8)	(96.9)	(123.9)	(74.4)	(12.6)	(11.1)	(72.9)
Fee to terminate services agreement with Sponsors	—	—	—	16.0	—	—	—	—
Technology-related license expenses	—	—	—	12.0	6.0	6.0	3.3	3.3
2009 Non-Recurring Activity (1)	61.0	—	—	—	—	—	—	—
Adjusted Free Cash Flow	**$141.5**	**$315.1**	**$372.3**	**$401.6**	**$385.1**	**$48.1**	**$90.8**	**$427.8**
Net Sales	**$1,766.7**	**$1,926.3**	**$2,162.8**	**$2,141.8**	**$1,926.8**	**$457.4**	**$493.6**	**$1,963.0**
Adjusted Free Cash Flow (% to Net Sales)	**8.0%**	**16.4%**	**17.2%**	**18.8%**	**20.0%**	**10.5%**	**18.4%**	**21.8%**

(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.