
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 OR 15(d) of The
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): October 29, 2012

ALLISON TRANSMISSION HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-35456
(Commission
File Number)

26-0414014
(IRS Employer
Identification No.)

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

46222
(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))
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Item 2.02 Results of Operations and Financial Condition.

On October 29, 2012, Allison Transmission Holdings, Inc. ("Allison") published an earnings release reporting its financial results for the three months ended September 30, 2012. 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 which its financial results for the three months ended September 30, 2012 will be discussed. The investor presentation materials that will be used for the call are attached as Exhibit 99.2 hereto.

On October 29, 2012, 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.*

<u>Exhibit Number</u>	<u>Description</u>
99.1	Earnings release dated October 29, 2012.
99.2	Investor presentation materials dated October 29, 2012.

SIGNATURES

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

Allison Transmission Holdings, Inc.

Date: October 29, 2012

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

EXHIBIT INDEX

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News Release

Allison Transmission, Inc.
Indianapolis, IN

For Immediate Release

Allison Transmission Announces Third Quarter 2012 Results

- **Net Sales \$494 million, Net Income \$32 million, Adjusted Net Income \$100 million and Adjusted Free Cash Flow \$120 million**
- **Adjusted EBITDA excluding technology-related license expenses \$172 million and Adjusted EBITDA margin excluding technology-related license expenses 34.8 percent**
- **Updated guidance for full year 2012: Net Sales decline of 2.5 to 3.5 percent, Adjusted EBITDA margin excluding technology-related license expenses of 33.5 to 34.0 percent, and Adjusted Free Cash Flow of \$350 million to \$380 million, or \$1.88 to \$2.04 per diluted share**

Indianapolis, IN, October 29, 2012 – Allison Transmission Holdings, Inc. (NYSE: ALSN), the world's largest manufacturer of fully-automatic transmissions for medium- and heavy-duty commercial vehicles and hybrid-propulsion systems for city buses, today reported net sales for the quarter of \$494 million, a 14 percent decrease from the same period in 2011. Net Income for the quarter was \$32 million, compared to a net income of \$39 million for the same period in 2011, a decrease of \$7 million. Adjusted Net Income, a non-GAAP financial measure, for the quarter was \$100 million, compared to Adjusted Net Income of \$131 million for the same period in 2011, a decrease of \$31 million. Diluted earnings per share for the quarter were \$0.17.

The decrease in net sales was principally driven by decreased demand for North America Off-Highway products relative to the elevated demand we experienced in the prior year period driven by strength in natural gas pricing. The North America On-Highway, Military and Service Parts, Support Equipment & Other end markets also experienced modest declines which were partially offset by price increases on certain products. Our Outside North America net sales were in line with the prior year due to growth in China offsetting weakness in European end markets.

Adjusted EBITDA, a non-GAAP financial measure, for the quarter was \$160 million, or 32.3 percent of net sales, compared to \$193 million for the same period in 2011. Excluding \$12 million of certain technology-related license expenses Adjusted EBITDA for the quarter was \$172 million, or 34.8 percent of net sales. Adjusted Free Cash Flow, also a non-GAAP financial measure, for the quarter was \$120 million compared to \$176 million for the same period in 2011.

Lawrence E. Dewey, Chairman, President and Chief Executive Officer of Allison Transmission commented, "Despite a year over year decline in third quarter net sales largely attributable to the previously considered cyclical nature of the North America energy sector's hydraulic fracturing market, diminished North America On-Highway commercial vehicle production schedules and reduced U.S. defense spending, Allison continued to demonstrate strong operating margins and cash flow while investing in growth opportunities. Consistent with our previous 2012 guidance we expect no meaningful relief from the third quarter North America end markets challenges in the fourth quarter, typically Allison's slowest quarter due to seasonal production downtime taken by many of our customers. We remain committed to prudent capital structure management as evidenced by Allison's third quarter actions which included refinancing approximately half of its Senior Secured Credit Facility Term B-1 Loan due in 2014, \$105 million of debt reduction and a quarterly dividend to our shareholders."

Third Quarter Net Sales by End Market

End Market	Q3 2012 Net Sales (\$M)	Q3 2011 Net Sales (\$M)	% Variance
North America On-Highway	\$ 189	\$ 199	(5%)
North America Hybrid-Propulsion Systems for Transit Bus	\$ 30	\$ 28	7%
North America Off-Highway	\$ 22	\$ 76	(71%)
Military	\$ 74	\$ 81	(9%)
Outside North America On-Highway	\$ 73	\$ 73	0%
Outside North America Off-Highway	\$ 22	\$ 24	(8%)
Service, Parts, Support Equipment & Other	\$ 84	\$ 93	(10%)
Total	\$ 494	\$ 574	(14%)

Third Quarter Highlights

North America On-Highway end market net sales were down 5 percent from the same period in 2011. The year over year decrease was principally driven by lower demand for Rugged Duty Series and Highway Series models. These reductions were partially offset by increased sales of Pupil Transport/Shuttle Series and Motorhome Series models.

North America Hybrid-Propulsion Systems for Transit Bus end market net sales were up 7 percent from the same period in 2011 principally due to the timing of orders.

North America Off-Highway end market net sales were down 71 percent from the same period in 2011. The year over year decrease was principally driven by lower demand from hydraulic fracturing applications due to weakness in natural gas pricing.

Military end market net sales were down 9 percent from the same period in 2011 principally due to lower wheeled and tracked products requirements consistent with reduced U.S. defense spending.

Outside North America On-Highway end market net sales were flat with the same period in 2011 reflecting strength in China being offset by weaker environments in Europe and Latin America.

Outside North America Off-Highway end market net sales were down 8 percent from the same period in 2011 principally driven by weaker mining sector demand partially offset by stronger demand from the energy sector.

Service Parts, Support Equipment & Other end market net sales were down 10 percent from the same period in 2011. The year over year decrease was principally driven by lower demand for global off-highway service parts and reduced support equipment sales commensurate with decreased transmission unit volumes.

Gross profit for the quarter was \$224 million, a decrease of 13 percent over gross profit of \$258 million for the same period in 2011. Gross margin for the quarter was 45.5 percent, an increase of 60 basis points over gross margin of 44.9 percent for the same period in 2011. The increase in gross margin was principally driven by improved manufacturing performance, favorable material costs and price increases on certain products.

Selling, general and administrative expenses for the quarter were \$97 million, a decrease of 5 percent over selling, general and administrative expenses of \$102 million for the same period in 2011. The decrease was principally driven by lower global commercial spending activities partially offset by the elimination of favorable 2011 product warranty expense adjustments.

Engineering – research and development expenses for the quarter were \$36 million, compared to \$32 million for the same period in 2011, a decrease of \$8 million excluding certain technology-related license expenses. The decrease was principally driven by the timing of product initiatives spending.

Third Quarter Non-GAAP Financial Measures

Adjusted EBITDA for the quarter was \$160 million, or 32.3 percent of net sales, compared to \$193 million, or 33.7 percent of net sales, for the same period in 2011, and Adjusted EBITDA excluding technology-related license expenses for the quarter was \$172 million, or 34.8 percent of net sales. The decrease in Adjusted EBITDA was principally driven by decreased gross profit and \$12 million of technology-related license expenses partially offset by lower global commercial and engineering – research and development spending activities.

Adjusted Net Income for the quarter was \$100 million compared to \$131 million for the same period in 2011. The decrease in Adjusted Net Income was principally driven by decreased gross profit, \$12 million of technology-related license expenses and increased cash interest expense as a result of debt refinancing and repayments, partially offset by lower global commercial and engineering – research and development spending activities.

Adjusted Free Cash Flow for the quarter was \$120 million compared to \$176 million for the same period in 2011. The decrease was principally driven by decreased net cash provided by operating activities and increased capital expenditures attributable to increased product initiatives spending and investments in productivity and replacement programs.

Full Year 2012 Guidance Update

Allison expects 2012 net sales to decline in the range of 2.5 to 3.5 percent, an Adjusted EBITDA margin excluding technology-related license expenses in the range of 33.5 to 34.0 percent, and an Adjusted Free Cash Flow in the range of \$350 to \$380 million, or \$1.88 to \$2.04 per diluted share. Capital expenditures are expected to be in the range of \$120 to \$130 million, which includes maintenance spending of approximately \$60 million, and are subject to timely completion of development and sourcing milestones for new product programs. Cash income taxes are expected to be in the range of \$12 to \$15 million.

Our full year guidance maintains a cautious approach to the fourth quarter given heightened market uncertainty by assuming year over year net sales reductions in North America Off-Highway, Global On-Highway, Tracked Military and Service Parts, Support Equipment & Other end markets partially offset by year over year net sales growth in Outside North America Off-Highway and North America Hybrid-Propulsion Systems for Transit Bus end markets. Accordingly, we now expect end market full year net sales growth as follows: NAFTA On-Highway 8 percent, Outside North America On-Highway 1.5 percent and Outside North America Off-Highway 27 percent. We also expect end market full year net sales reductions as follows: North America Hybrid-Propulsion Systems for Transit Bus 16 percent, North America Off-Highway 43 percent, Military 2 percent and Service Parts, Support Equipment & Other 1 percent.

Conference Call and Webcast

The company will host a conference call at 4:30 p.m. Eastern Time on Monday, October 29, 2012 to discuss its third quarter 2012 results. Dial-in number is 1-719-325-4923 and the U.S. toll-free dial-in number is 1-877-681-3378. Passcode for the call is 6949342. A live webcast of the conference call will also be available on the investor relations page of the Company's website at <http://ir.allisontransmission.com/>.

For those unable to participate in the conference call, a replay will be available from 7:30 p.m. Eastern Time on October 29, 2012 until 11:59 p.m. on November 5, 2012. 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. Replay passcode is 6949342.

About Allison Transmission

Allison Transmission is the world's largest manufacturer of fully-automatic transmissions for medium- and heavy-duty commercial vehicles, medium- and heavy-tactical U.S. military vehicles and hybrid-propulsion systems for transit buses. Allison transmissions are used in a variety of applications including on-highway trucks (distribution, refuse, construction, fire and emergency), buses (primarily school and transit), motor homes, off-highway vehicles and equipment (primarily energy and mining) and military vehicles (wheeled and tracked). Founded in 1915, the Allison business is headquartered in Indianapolis, Indiana, U.S.A. and employs approximately 2,800 people. Allison has manufacturing facilities and customization centers located in China, The Netherlands, Brazil, India and Hungary. With a global presence, serving customers in North America, Europe, Asia, Australia, South America, and Africa, Allison also has over 1,500 independent distributor and dealer locations worldwide. More information about Allison is available at www.allisontransmission.com.

Forward-Looking Statements

This press release may contain 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; general economic and industry conditions; our ability to prepare for, respond to and successfully achieve our objectives relating to technological and market developments and changing customer needs; the failure of markets outside North America to increase adoption of fully-automatic transmissions; 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; the concentration of our net sales in our top five customers and the loss of any one of these; risks associated with our international operations; brand and reputational risks; our intention to pay dividends; and labor strikes, work stoppages or similar labor disputes, which could significantly disrupt our operations or those of our principal customers. 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

Investor Relations
ir@allisontransmission.com

Media Relations
media@allisontransmission.com

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Net sales	\$ 493.5	\$ 574.0	\$ 1,654.8	\$ 1,646.7
Cost of sales	269.1	316.4	894.7	914.7
Gross profit	224.4	257.6	760.1	732.0
Selling, general and administrative expenses	96.7	101.6	307.0	299.1
Engineering - research and development	35.9	31.9	87.0	90.4
Operating income	91.8	124.1	366.1	342.5
Interest expense, net	(40.8)	(63.3)	(115.6)	(183.9)
Other expense, net	(1.8)	(3.7)	(55.4)	(57.8)
Income before income taxes	49.2	57.1	195.1	100.8
Income tax (expense) benefit	(17.0)	(18.3)	307.9	(42.3)
Net income	<u>\$ 32.2</u>	<u>\$ 38.8</u>	<u>\$ 503.0</u>	<u>\$ 58.5</u>
Basic earnings per share attributable to common stockholders	\$ 0.18	\$ 0.21	\$ 2.77	\$ 0.32
Diluted earnings per share attributable to common stockholders	<u>\$ 0.17</u>	<u>\$ 0.21</u>	<u>\$ 2.70</u>	<u>\$ 0.32</u>

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

	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 81.9	\$ 314.0
Accounts receivables - net of allowance for doubtful accounts of \$1.9 and \$1.3 respectively	204.0	194.7
Inventories	187.0	155.9
Deferred income taxes, net	19.0	3.4
Other current assets	35.6	34.7
Total Current Assets	527.5	702.7
Property, plant and equipment, net	592.6	581.8
Intangible assets, net	3,694.6	3,807.1
Deferred income taxes, net	82.2	0.8
Other non-current assets	93.7	100.2
TOTAL ASSETS	\$ 4,990.6	\$ 5,192.6
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 176.2	\$ 162.6
Current portion of long term debt	16.5	31.0
Other current liabilities	220.2	256.3
Total Current Liabilities	412.9	449.9
Long term debt	2,899.1	3,345.0
Other non-current liabilities	354.4	576.0
TOTAL LIABILITIES	3,666.4	4,370.9
TOTAL STOCKHOLDERS' EQUITY	1,324.2	821.7
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 4,990.6	\$ 5,192.6

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Net cash provided by operating activities	\$ 138.9	\$ 203.6	\$ 385.4	\$ 397.3
Net cash used for investing activities	(38.5)	(30.0)	(108.5)	(15.5)
- Additions of long-lived assets	(31.4)	(27.7)	(93.9)	(55.3)
Net cash used for financing activities	(120.2)	(103.1)	(508.3)	(289.3)
Effect of exchange rate changes in cash	(10.4)	11.5	(0.7)	9.1
Net (decrease) increase in cash and cash equivalents	(30.2)	82.0	(232.1)	101.6
Cash and cash equivalents at beginning of period	112.1	271.8	314.0	252.2
Cash and cash equivalents at end of period	<u>\$ 81.9</u>	<u>\$ 353.8</u>	<u>\$ 81.9</u>	<u>\$ 353.8</u>
Supplemental disclosures:				
Interest paid	\$ 31.8	\$ 25.8	\$ 120.6	\$ 140.6
Income taxes paid	\$ 2.6	\$ 1.4	\$ 9.0	\$ 5.1

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

	Three months ended September 30, 2012	September 30, 2011	Nine months ended September 30, 2012	September 30, 2011
Net income	\$ 32.2	\$ 38.8	\$ 503.0	\$ 58.5
plus:				
Interest expense, net	40.8	63.3	115.6	183.9
Cash interest	(31.8)	(25.8)	(120.6)	(140.6)
Income tax expense (benefit)	17.0	18.3	(307.9)	42.3
Cash income taxes	(2.6)	(1.4)	(9.0)	(5.1)
Fee to terminate services agreement with Sponsors (a)	—	—	16.0	—
Initial public offering expenses (b)	—	—	6.1	—
Technology-related investments expense (c)	6.4	—	14.4	—
Amortization of intangible assets	37.5	38.0	112.5	114.0
Adjusted net income	\$ 99.5	\$ 131.2	\$ 330.1	\$ 253.0
Cash interest expense	31.8	25.8	120.6	140.6
Cash income taxes	2.6	1.4	9.0	5.1
Depreciation of property, plant and equipment	26.1	25.5	76.0	77.0
Loss on repurchases of long-term debt (d)	0.5	3.0	21.6	11.3
Dual power inverter module extended coverage (e)	—	—	9.4	—
Benefit plan re-measurement (f)	—	—	2.3	—
Unrealized (gain) loss on hedge contracts (g)	(2.1)	4.1	(1.1)	5.1
Premiums and expenses on tender offer for long-term debt (h)	—	—	—	56.9
Restructuring charges (i)	—	(0.6)	—	—
Benefit plan adjustment (j)	—	—	—	(2.0)
Other (k)	1.1	3.0	5.3	8.7
Adjusted EBITDA	\$ 159.5	\$ 193.4	\$ 573.2	\$ 555.7
Adjusted EBITDA excluding technology-related license expenses (l)	\$ 171.5	\$ 193.4	\$ 585.2	\$ 555.7
Net sales	\$ 493.5	\$ 574.0	\$ 1,654.8	\$ 1,646.7
Adjusted EBITDA margin	32.3%	33.7%	34.6%	33.7%
Adjusted EBITDA margin excluding technology-related license expenses (l)	34.8%	33.7%	35.4%	33.7%
Net Cash Provided by Operating Activities	\$ 138.9	\$ 203.6	\$ 385.4	\$ 397.3
(Deductions) or Additions to Reconcile to Adjusted Free Cash Flow:				
Additions of long-lived assets	(31.4)	(27.7)	(93.9)	(55.3)
Fee to terminate services agreement with Sponsors (a)	—	—	16.0	—
Technology-related license expenses (l)	12.0	—	12.0	—
Adjusted Free Cash Flow	\$ 119.5	\$ 175.9	\$ 319.5	\$ 342.0

- (a) Represents a one-time payment (recorded in Other expense, net) to terminate the services agreement with affiliates of the Carlyle Group and Onex Corporation (the "Sponsors").
- (b) Represents \$6.1 million of fees and expenses (recorded in Other expense, net) related to our initial public offering in March 2012 for the nine months ended September 30, 2012.
- (c) Represents a \$6.4 million and \$14.4 million impairment charge (recorded in Other expense, net) on investments in co-development agreements with various companies to expand our position in transmission technologies for the three and nine months ended September 30, 2012, respectively.
- (d) Represents a \$0.5 million and \$3.0 million loss (recorded in Other expense, net) realized on the redemptions and repayments of long-term debt for the three months ended September 30, 2012 and 2011, respectively. Represents a \$21.6 million and \$11.3 million loss (recorded in Other expense, net) realized on the redemptions and repayments of long-term debt for the nine months ended September 30, 2012 and 2011, respectively.
- (e) During the second quarter of 2012, the Company increased its liability related to the dual power inverter module extended coverage program due to claims data and additional design issues identified during introduction of replacement units. The increase in liability resulted in a charge of approximately \$9.4 million (recorded in Selling, general and administrative expenses) for the nine months ended September 30, 2012.
- (f) Represents a \$2.3 million settlement charge (recorded in Other expense, net) related to the settlement of pension obligations for qualified hourly employees from the Company's hourly defined benefit pension plan to General Motors' pension plan.
- (g) Represents (\$2.1) million and \$4.1 million of unrealized (gains) losses (recorded in Other expense, net) on the mark-to-market of our foreign currency and commodities contracts for the three months ended September 30, 2012 and 2011, respectively. Represents (\$1.1) million and \$5.1 million of unrealized (gains) losses (recorded in Other expense, net) on the mark-to-market of our foreign currency and commodities contracts for the nine months ended September 30, 2012 and 2011, respectively.
- (h) Represents \$56.9 million (recorded in Other expense, net) of premiums and expenses related to the tender offer for 11.25% senior toggle notes due 2015 in the second quarter of 2011.
- (i) Represents a (\$0.6) million (\$0.1 million recorded as Cost of sales and \$0.5 million recorded as Engineering – research and development) payment received from a military contract for restructuring expenses related to a second quarter 2011 salaried employee headcount reduction program.
- (j) Represents a (\$2.0) million (\$0.7 million recorded in Cost of sales, \$0.7 million recorded in Selling, general and administrative expenses, and \$0.6 million recorded in Engineering – research and development) favorable adjustment related to certain differences between benefits promised under a benefit plan and the administration of the plan.
- (k) Represents employee stock compensation expense and service fees (recorded in Selling, general and administrative expenses) paid to the Sponsors.
- (l) Represents \$12.0 million (recorded in Engineering – research and development) of payments to various companies for licenses to expand our position in transmission technologies.

Q3 2012 Earnings Release

October 29, 2012

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



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). Most forward-looking statements contain words that identify them as forward-looking, such as “may”, “plan”, “seek”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “project”, “opportunity”, “target”, “goal”, “growing” and “continue” or other words that relate to future events, as opposed to past or current events. By their nature, forward-looking statements are not statements of historical facts and involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These statements give Allison Transmission’s current expectation of future events or its future performance and do not relate directly to historical or current events or Allison Transmission’s historical or future performance. As such, Allison Transmission’s future results may vary from any expectations or goals expressed in, or implied by, the forward-looking statements included in this presentation, possibly to a material degree. 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; general economic and industry conditions; our ability to prepare for, respond to and successfully achieve our objectives relating to technological and market developments and changing customer needs; the failure of markets outside North America to increase adoption of fully-automatic transmissions; 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; the concentration of our net sales in our top five customers and the loss of any one of these; risks associated with our international operations; brand and reputational risks; our intention to pay dividends; 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 prospectus filed pursuant to Rule 424(b)(1) under the Securities Act of 1933, as amended, dated as of March 15, 2012 and Quarterly Reports on Form 10-Q.

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, trade name impairment and amortization of intangible assets, less cash interest expense, 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 expense, 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 taxes paid rather than our 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, adjusted free cash and 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.

- **Q3 2012 Performance**
- **End Markets Commentary**
- **Full Year 2012 Guidance Update**

Q3 2012 Performance Summary



(\$ in millions)	Q3 2012	Q3 2011	% Variance
Net Sales	\$494	\$574	(14.0%)
Gross Margin %	45.5%	44.9%	+60 bps
Adjusted Net Income ⁽¹⁾	\$100	\$131	(24.2%)
Adjusted Free Cash Flow ⁽¹⁾	\$120	\$176	(32.1%)

Commentary

Net Sales: decreased demand for North America Off-Highway products relative to the elevated demand experienced in the prior year period driven by strength in natural gas pricing. North America On-Highway, Military and Service Parts, Support Equipment & Other end markets also experienced modest declines which were partially offset by price increases on certain products. Our Outside North America On-Highway net sales were in line with the prior year due to growth in China offsetting weakness in European end markets.

Gross Margin: improved manufacturing performance, favorable material cost and price increases on certain products.

Adjusted Net Income: decreased gross profit, \$12 million of certain technology-related license expenses and increased cash interest expense as a result of debt refinancing and repayments, partially offset by lower global commercial and engineering – research and development spending activities.

Adjusted Free Cash Flow: decreased net cash provided by operating activities and increased capital expenditures attributable to increased product initiatives spending and investments in productivity and replacement programs.

Full Year 2012 Guidance: Net Sales decline of 2.5 to 3.5 percent, Adjusted EBITDA margin excluding technology-related license expenses of 33.5 to 34.0 percent and Adjusted Free Cash Flow of \$350 million to \$380 million.

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

Q3 2012 Sales Performance



(\$ in millions)

End Markets	Q3 2012	Q3 2011	% Variance	Commentary
North America On-Hwy	\$189	\$199	(5%)	Diminished commercial vehicle production
North America Hybrid-Propulsion Systems for Transit Bus	\$30	\$28	+7%	Timing of orders
North America Off-Hwy	\$22	\$76	(71%)	Decreased demand from natural gas hydraulic fracturing applications due to weakness in natural gas pricing
Military	\$74	\$81	(9%)	Decreased wheeled and tracked military products requirements consistent with reduced U.S. defense spending
Outside North America On-Hwy	\$73	\$73	0%	Strength in China offset by weaker environments in Europe and Latin America
Outside North America Off-Hwy	\$22	\$24	(8%)	Weaker mining sector demand partially offset by stronger demand from the energy sector
Service Parts, Support Equipment & Other	\$84	\$93	(10%)	Reduced demand for global off-highway service parts sales
Total	\$494	\$574	(14%)	

Q3 2012 Financial Performance



(\$ in millions)	Q3 2012	Q3 2011	\$ Var	% Var	Commentary
Net Sales	\$493.5	\$574.0	(\$80.5)	(14.0%)	Decreased demand for North America Off-Highway, North America On-Highway, Military and Service Parts, Support Equipment & Other products partially offset by price increases on certain products. Our Outside North America On-Highway net sales were in line with the prior year due to growth in China offsetting weakness in European end markets
Cost of Sales	\$269.1	\$316.4	\$47.3	14.9%	
Gross Profit	\$224.4	\$257.6	(\$33.2)	(12.9%)	Decreased net sales partially offset by improved manufacturing performance, favorable material cost and price increases
Operating Expenses					
Selling, general and administrative expenses	\$96.7	\$101.6	\$4.9	4.8%	Lower global commercial spending activities offset by favorable 2011 product warranty expense adjustments
Engineering – research and development	\$35.9	\$31.9	(\$4.0)	(12.5%)	\$12 million of certain technology-related license expense partially offset by the timing of product initiatives spending
Total operating expenses	\$132.6	\$133.5	\$0.9	0.7%	
Operating Income	\$91.8	\$124.1	(\$32.3)	(26.0%)	
Interest Expense, net	(\$40.8)	(\$63.3)	\$22.5	(35.5%)	Decreased mark-to-market expense and the favorable impact of debt repayments and repurchases partially offset by higher interest rates and deferred financing fees related to the Senior Secured Credit Facility refinancing
Other Expense, net	(\$1.8)	(\$3.7)	\$1.9	(51.4)	Favorable foreign currency exchange, higher gains on derivative contracts partially offset by impairment of technology-related investments
Income Before Income Taxes	\$49.2	57.1	(\$7.9)	(13.8%)	
Income Tax Expense	(\$17.0)	(\$18.3)	\$1.3	(7.1%)	
Net Income	\$32.2	\$38.8	(\$6.6)	(17.0%)	
Diluted Earnings Per Share	\$0.17	\$0.21	\$0.04	(17.0%)	Q3 2012:185.5M shares; Q3 2011 181.4M shares
Adjusted EBITDA⁽¹⁾	\$159.5	\$193.4	(\$33.9)	(17.5%)	
Adjusted EBITDA excluding technology-related license expense ⁽¹⁾	\$171.5	\$193.4	(\$21.9)	(11.3%)	
Adjusted Net Income⁽¹⁾	\$99.5	\$131.2	(\$31.7)	(24.2%)	

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

Q3 2012 Cash Flow Performance



(\$ in millions)	Q3 2012	Q3 2011	\$ Variance	% Variance	Commentary
Cash Provided by Operating Activities	\$139	\$204	(\$65)	(31.8%)	Reduced sales volume, inconsistent commercial vehicle production schedules and labor negotiations planning
CapEx	\$31	\$28	\$3	13.4%	Increased new product initiatives and timing of maintenance spending partially offset by completion of India facility expansion
Adjusted Free Cash Flow ⁽¹⁾	\$120	\$176	(\$56)	(32.1%)	Decreased net cash provided by operating activities and increased capital expenditures
(\$ in millions)	Q3 2012	Q3 2011	\$ Variance	% Variance	Commentary
Operating Working Capital ⁽²⁾ Percentage of LTM Sales	9.9%	8.5%	N/A	140 bps	Inconsistent commercial vehicle production schedules and labor negotiations planning partially offset by LTM net sales growth
Cash Paid for Interest	\$32	\$26	(\$6)	(23.2%)	Sr Secured Credit Facility refinancing partially offset by debt repayments and repurchases
Cash Paid for Income Taxes	\$3	\$1	\$2	85.7%	Increased taxable income

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

(2) Operating Working Capital = A/R + Inventory – A/P.

- **North America On-Highway**
 - Market recovery stalled by heightened economic uncertainty
 - Expect full year net sales growth of 8 percent
- **North America Hybrid-Propulsion Systems for Transit Bus**
 - Municipal spending constraints and value proposition challenges
 - Expect full year net sales reduction of 16 percent
- **North America Off-Highway**
 - Majority of demand is natural gas hydraulic fracturing; weakening rig production and utilization rates
 - Expect full year net sales reduction of 43 percent
- **Military**
 - Expect full year net sales reduction of 2 percent
- **Outside North America On-Highway**
 - Solid progress on growth initiatives and attainment of vehicle releases
 - Heightened economic uncertainties pressuring commercial vehicle production forecasts
 - Expect full year net sales growth of 1.5% with strength in Asia offsetting weakness in European end markets
- **Outside North America Off-Highway**
 - Expect full year net sales growth of 27 percent principally driven by increased demand in the mining and energy sectors
- **Service Parts, Support Equipment & Other**
 - Expect full year net sales reduction of 1 percent

Full Year 2012 Guidance Update



	Guidance	Commentary on Full Year
Net Sales Growth from 2011	(2.5) to (3.5) percent	Assumes fourth quarter year over year net sales reductions in North America Off-Highway, Global On-Highway, Tracked Military and Service Parts, Support Equipment & Other end markets partially offset by year over year net sales growth in Outside North America Off-Highway and North America Hybrid-Propulsion Systems for Transit Bus end markets
Adjusted EBITDA Margin excluding technology-related license expense ⁽¹⁾	33.5 to 34.0 percent	Driven by sales mix and volume timing
Adjusted Free Cash Flow (\$ in millions) ⁽¹⁾	\$350 to \$380	Driven by EBITDA, Cash Interest, Cash Income Taxes, CapEx, etc
CapEx (\$ in millions)		
Maintenance	\$61 to \$64	New product programs subject to timely completion of development and sourcing milestones
New Facilities	\$26 to \$27	
New Product Programs	\$33 to \$39	
Cash Income Taxes (\$ in millions)	\$12 to \$15	U.S. income tax shield and net operating loss utilization

(1) See Appendix.

APPENDIX

Non-GAAP Financial Information

Adjusted Net Income and Adjusted EBITDA reconciliation

\$ in millions	For the year ended December 31,			Three months ended September 30,		Last twelve months ended September 30,
	2009	2010	2011	2011	2012	2012
Net (loss) income	(\$323.9)	\$29.6	\$103.0	\$38.8	\$32.2	\$547.5
plus:						
Interest expense, net	234.2	277.5	217.3	63.3	40.8	149.0
Cash interest	(242.5)	(239.1)	(208.6)	(25.8)	(31.8)	(188.6)
Income tax expense (benefit)	41.4	53.7	47.6	18.3	17.0	(302.6)
Cash income taxes	(5.5)	(2.2)	(5.8)	(1.4)	(2.6)	(9.7)
Fee to terminate services agreement with Sponsors	—	—	—	—	—	16.0
Technology-related investment expense	—	—	—	—	6.4	14.4
Initial public offering expenses	—	—	—	—	—	6.1
Trade name impairment	190.0	—	—	—	—	—
Amortization of intangible assets	155.9	154.2	151.9	38.0	37.5	150.4
Adjusted net income	\$49.6	\$273.7	\$305.4	\$131.2	\$99.5	\$382.5
Cash interest expense	242.5	239.1	208.6	25.8	31.8	188.6
Cash income taxes	5.5	2.2	5.8	1.4	2.6	9.7
Depreciation of property, plant and equipment	105.9	99.6	103.8	25.5	26.1	102.7
(Gain)/Loss on repurchases of long-term debt	(8.9)	(3.3)	16.0	3.0	0.5	26.3
Dual power inverter module extended coverage	11.4	(1.9)	—	—	—	9.4
Unrealized (gain) loss on hedge contracts	(5.8)	0.1	6.8	4.1	(2.1)	0.6
Premiums and expenses on tender offer for long-term debt	—	—	56.9	—	—	—
Restructuring charges	47.9	—	—	(0.6)	—	—
Reduction of supply contract liability	—	(3.4)	—	—	—	—
Other, net ⁽¹⁾	53.2	10.9	8.6	3.0	1.1	9.6
Adjusted EBITDA	\$501.3	\$617.0	\$711.9	\$193.4	\$159.5	\$729.4
Adjusted EBITDA excluding technology-related license expense	\$501.3	\$617.0	\$711.9	\$193.4	\$171.5	\$741.4
Net Sales	\$1,766.7	\$1,926.3	\$2,162.8	\$574.0	\$493.5	\$2,170.9
Adjusted EBITDA margin	28.4%	32.0%	32.9%	33.7%	32.3%	33.6%
Adjusted EBITDA margin excl technology-related license expense	28.4%	32.0%	32.9%	33.7%	34.8%	34.2%

(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.

Adjusted Free Cash Flow reconciliation

\$ in millions	For the year ended December 31,			Three months ended September 30,		Last twelve months ended September 30,
	2009	2010	2011	2011	2012	2012
Net Cash Provided by Operating Activities	\$168.7	\$388.9	\$469.2	\$203.6	\$138.9	\$457.3
(Deductions) or Additions:						
Long-lived assets	(88.2)	(73.8)	(96.9)	(27.7)	(31.4)	(135.5)
Fee to terminate services agreement with Sponsors	—	—	—	—	—	16.0
Technology-related license expense	—	—	—	—	12.0	12.0
2009 Non-Recurring Activity ⁽¹⁾	61.0	—	—	—	—	—
Adjusted Free Cash Flow	\$141.5	\$315.1	\$372.3	\$175.9	\$119.5	\$349.8
Net Sales	\$1,766.7	\$1,926.3	\$2,162.8	\$574.0	\$493.5	\$2,170.9
Adjusted Free Cash Flow (% to Net Sales)	8.0%	16.4%	17.2%	30.6%	24.2%	16.1%

(1) 2009 adjusted for certain non-recurring activity: (a) capitalized accrued interest on Senior Toggle Notes (\$29) million, (b) cash restructuring charge \$51 million, (c) accounts payable early payments \$3 million, (d) delayed accounts receivable receipts \$19 million and (e) Lehman LIBOR swap settlement \$17 million.