Investor Relations Presentation

Second Quarter 2012 (Published August 3, 2012)

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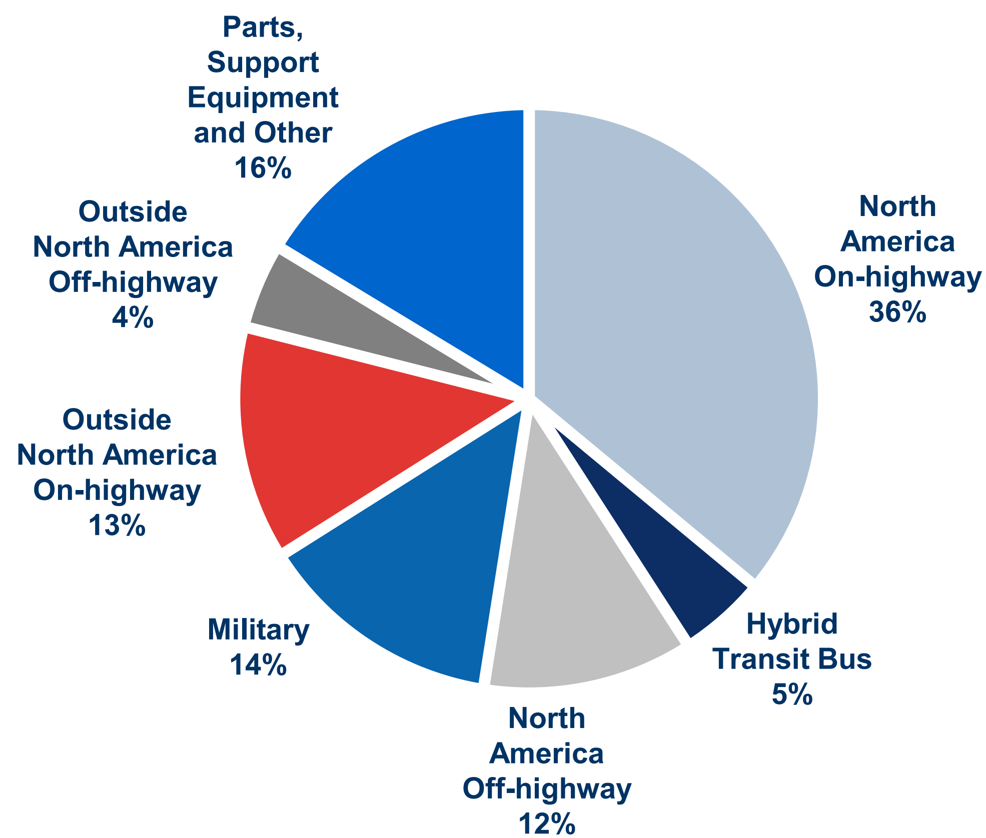
Allison Transmission’s business is subject to numerous risks and uncertainties, which may cause future results of operations to vary significantly from those presented herein.

Business Overview

Allison Transmission at a Glance

- **World's largest manufacturer of fully-automatic transmissions for medium- and heavy-duty commercial vehicles**
  - 62% global market share of fully-automatic transmissions
  - Virtually no exposure to Class 8 line-haul tractors
- **Allison is the premier fully-automatic transmission brand**
  - Premium price component frequently specified by end users
  - Differentiated technology
- **Well positioned for revenue and earnings growth**
  - Continued recovery in North America
  - Further adoption outside North America
  - Global off-highway growth opportunities
  - Expanding addressable market

LTM[1] Net Sales by End Market

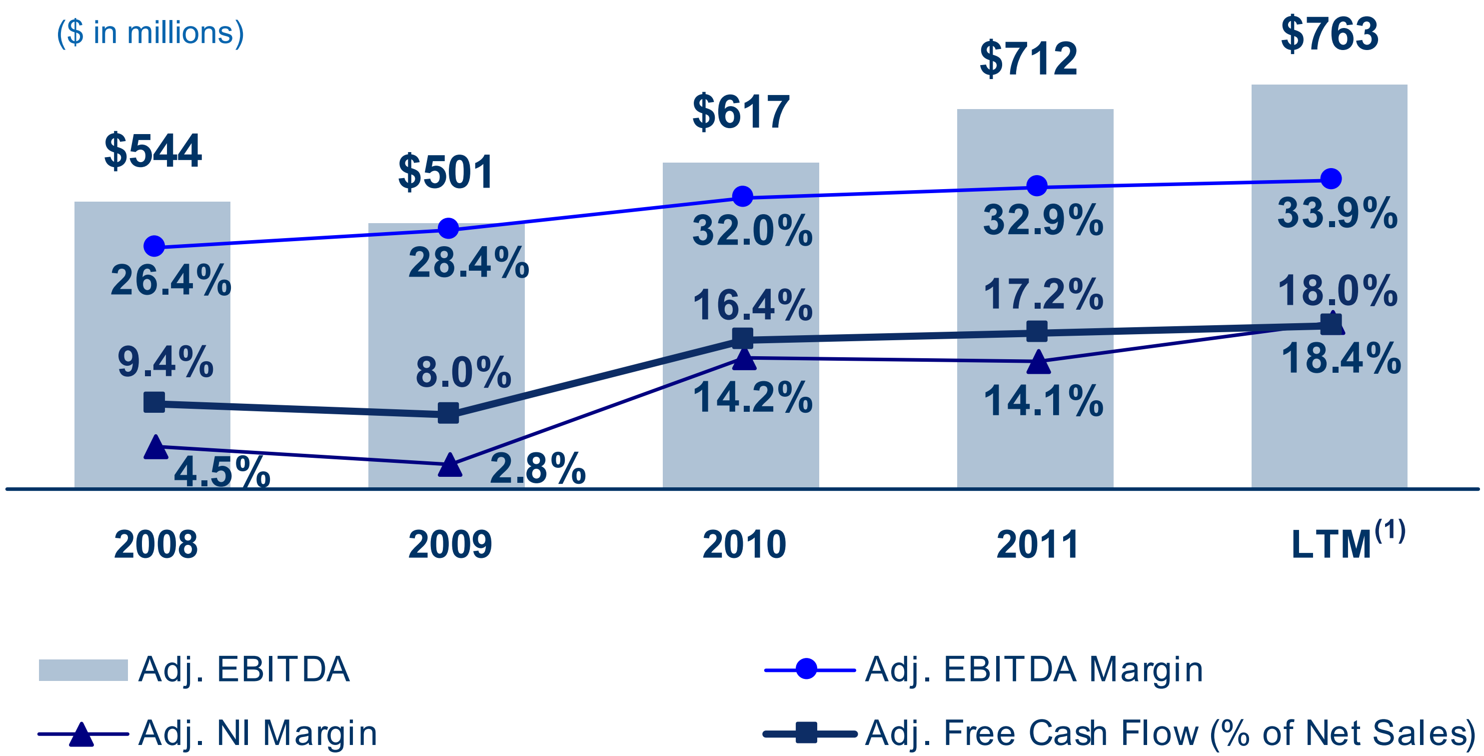


LTM Net Sales: $2.3 billion

(1) LTM 6/30/2012.

Allison Key Financial Highlights

Strong Financial Profile[2]



- **Strong, sustainable operating margins**
- **Low capital expenditure requirements**
- **Minimal cash income taxes / valuable U.S. tax shield ($0.9-$1.1bn present value)**
- **Positioned for long-term cash earnings growth**

(1) LTM 6/30/2012.
(2) Note: See appendix for comments regarding the presentation of non-GAAP financial information.

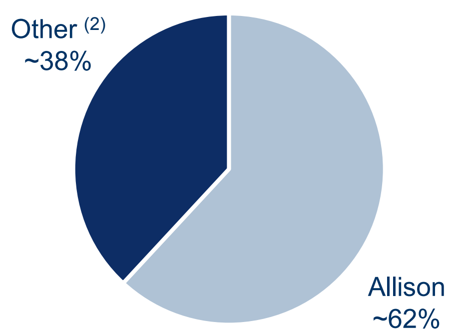
Allison Transmission

Allison Is a Premier Industrial Asset

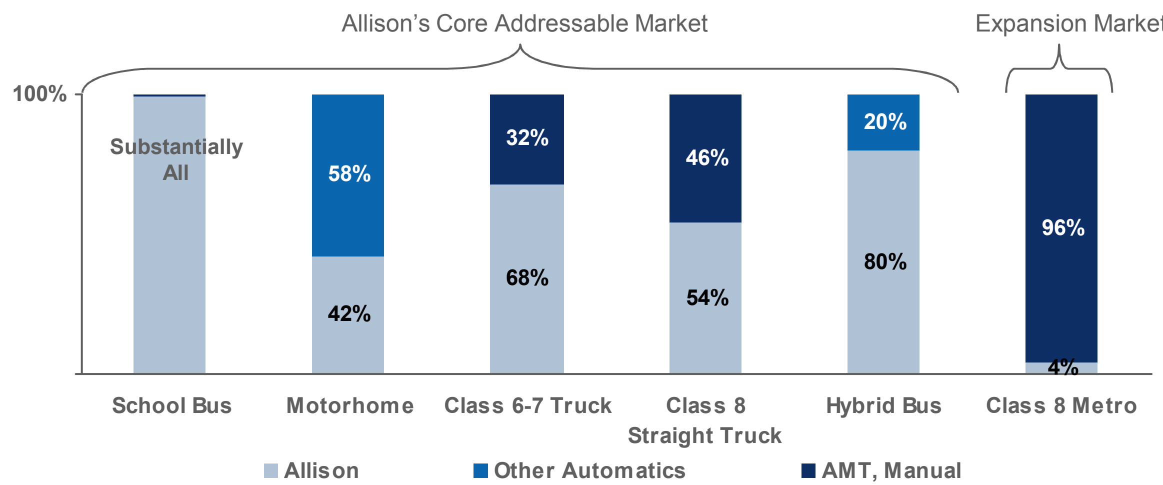
- Global Market Leader
- Premier Brand and End User Value Proposition
- Technology Leadership - The Allison Advantage
- Diverse End Markets with Long-Standing OEM Customer Relationships
- Improved Margins and Low Capex Drive Strong Cash Flow Generation
- Experienced Management Team
- Multiple Organic Growth Opportunities

Global Market Leader

Global On-Highway Fully-Automatic Share(1)



North American Market Share(1)



- **The "de facto" standard in medium- and heavy-duty applications**
  - Well established as standard in North America
- **Increasing presence in rapidly growing emerging markets (China and India) which today are predominantly manual**
- **Virtually no exposure to more cyclical Class 8 line-haul tractors**

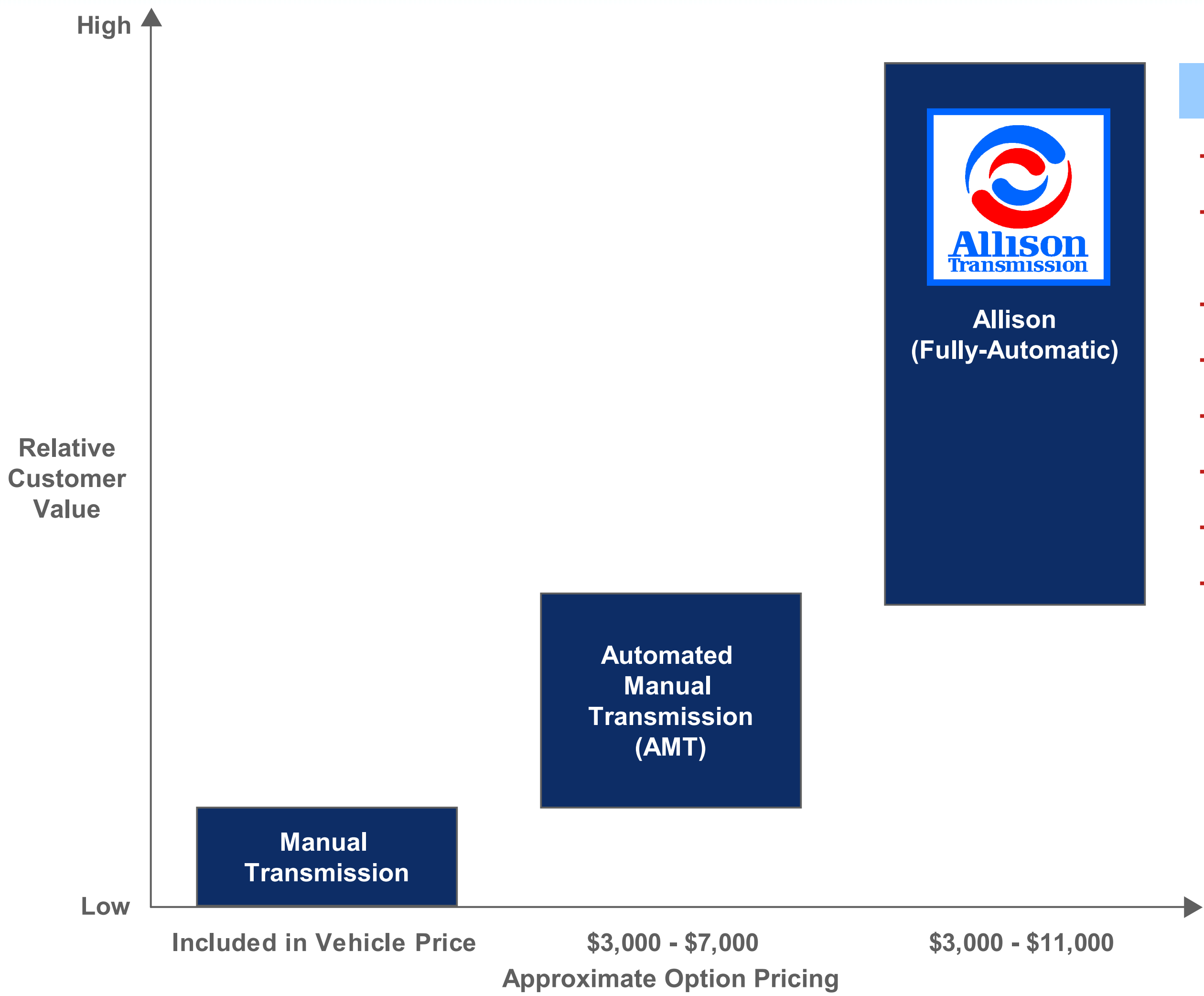
(1) 2011 Units. Source: Allison management estimates and ACT research.
(2) Majority of "Other" volume is in North American Class 4-5 truck and European bus.

Allison Is a Recognized and Respected Brand

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

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

End User Value Proposition



Allison Advantage

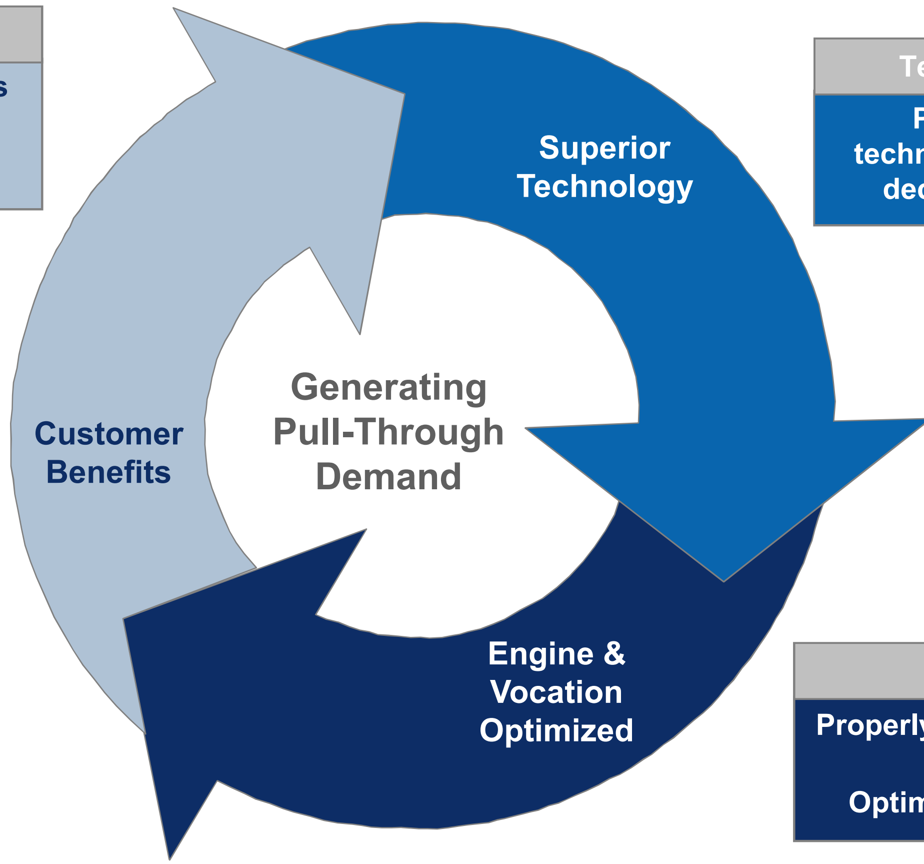
- + Productivity (acceleration)
- + Maintenance Savings (life cycle costs)
- + Fuel Efficiency
- + Driver Skillset / Wages
- + Training (time, cost)
- + Shift Quality
- + Safety
- + Residual Value

End Users are Willing to Pay a Premium Price for Allison

Technology Leadership – The Allison Advantage

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

Allison Advantage
Lower Vehicle Life Cycle Costs
Superior Performance



Technology Differentiators
Proprietary and patented technology developed over many decades and 5.7 million units

Allison Advantage
Properly Matched to Selected Engine
Optimized for Intended Vocation

End Market & Vocation Overview

Global On-Highway

	Sample Vocations	Select End Users
Distribution		Coca-Cola, PENSKE Truck Leasing, FritoLay, pepsi, ups, FedEx, Ryder
Emergency Vehicle		BAA British Airport Authority
Motorhome		WINNEBAGO INDUSTRIES, THOR INDUSTRIES, INC., PREVOST
Rugged Duty		WM WASTE MANAGEMENT, VEOLIA ENVIRONMENTAL SERVICES, The City of New York Department of Sanitation
School Bus / Shuttle Bus		First Student
Transit Bus		BMCT Beijing City Transit, New Delhi Transit

Global Off-Highway

Select End Users

HALLIBURTON, JEREH, TEREX, BJ, NL

North America Hybrid Transit Bus

Allison Hybrid

Select End Users

SEPTA, metro, King County METRO

Military

Select End Users

Parts, Support Equipment and Other

Allison Transmission

OEMs Rely on Allison for Fully-Automatic Transmissions

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

Over 45 Year Relationship with Many Industry-Leading OEMs

Allison Transmission

Premier Industrial Asset Financial Profile Resulting from Experienced Management and Execution

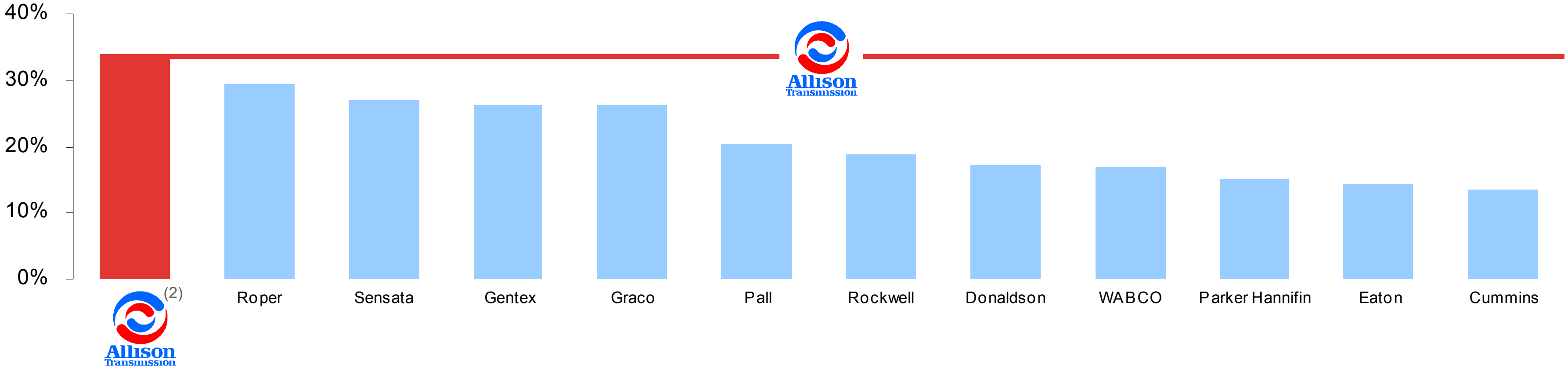
	2008	Today 2012 [1]	△	
Net Sales	$2,061mm	$2,251mm	**+9.2%**	Despite cyclical low industry volumes, significant improvement in EBITDA margin and Adjusted Net Income
Adj. EBITDA	$544mm	$763mm	**+40.3%**	
% Margin	26.4%	33.9%	**+750bps**	
Adj. Net Income	$93mm	$414mm	**+346.8%**	
Employees	3,300	2,800	**(15.2%)**	2009 Hourly buyout plan reduced headcount by ~25%, positioning the company to replace Tier I with Tier II workers and realize operating leverage
UAW Contract	Part of GM	Allison Only		
UAW Wage Structure	Single-Tier	Multi-Tier		
Technology Focus	Enhance Existing Products	New, More Fuel Efficient Technologies		Investing in the development of next generation technologies

Net Debt Reduction of More Than $1.2 [1] Billion Since Acquisition in August 2007

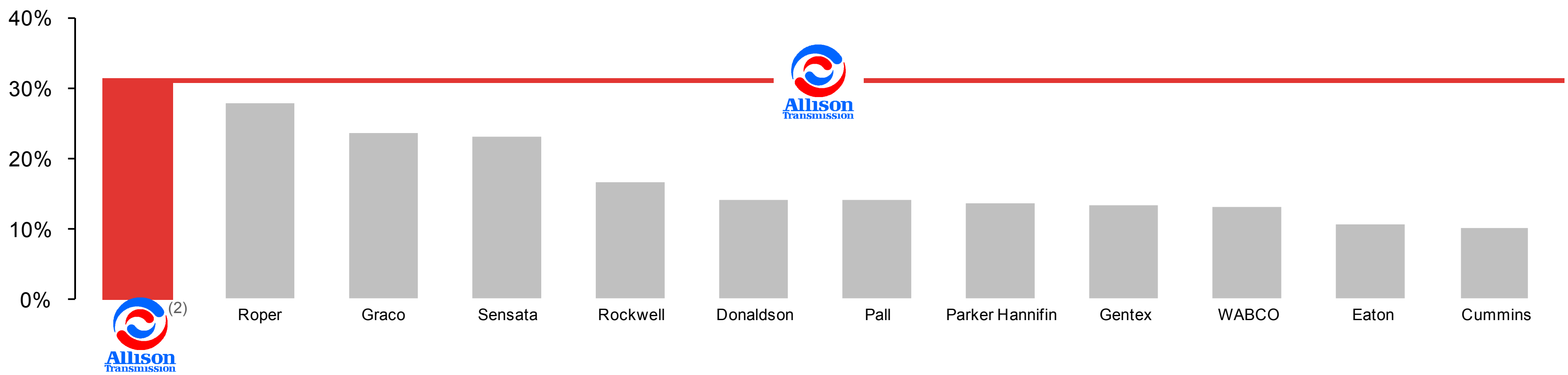
Note: See appendix for comments regarding the presentation of non-GAAP financial information.
(1) LTM 6/30/2012.

Premier Industrial Asset

EBITDA Margin(1)



EBITDA – CapEx Margin(1)



(1) The LTM period and LTM EBITDA, which excludes non-recurring or one-time items as designated by each entity, are based on information available in the entity's most recent quarterly or annual report as of 8/3/2012. EBITDA included above may not be consistent with such entity's reported EBITDA or Adjusted EBITDA, if available.

(2) Represents Adjusted LTM EBITDA and Adjusted LTM EBITDA less CapEx as of 6/30/2012.

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

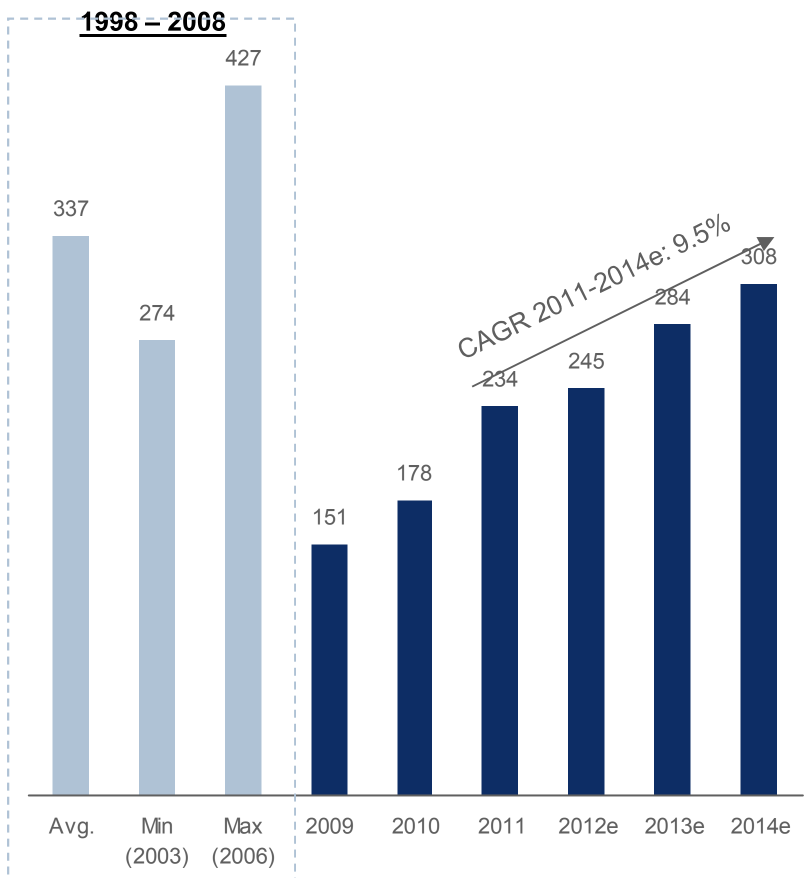
Multiple Organic Growth Opportunities

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

Cyclical Recovery in Developed On-Highway Markets

- **Growth opportunity driven by continued cyclical recovery in core North American market (~36% of LTM[(2)] sales)**
- **Production has rebounded from cyclical lows and growth is expected**
- **Allison's growth is supported by pent up demand from deferred purchases**
- **Continued demand for fuel efficient vehicles to provide incremental growth**

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



Note: Excludes Class 8 line-haul units.

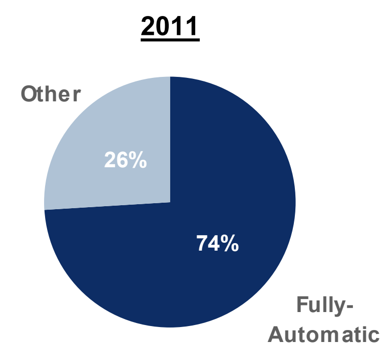
(1) Source: ACT Research, July 2012. Excludes: Class 8 Line haul and Class 8 Straight with Sleeper.
(2) LTM 6/30/2012.

Increase Penetration of Fully-Automatic Transmissions

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

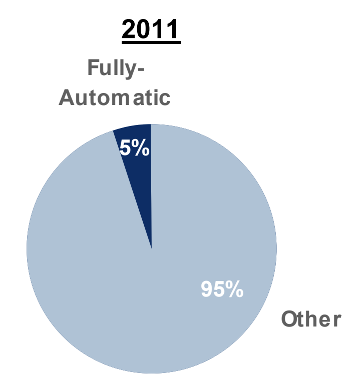
Global Penetration of Fully-Automatic Transmissions

North America(1)



- Allison has significantly increased market share in North America

Non-North America(2)



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

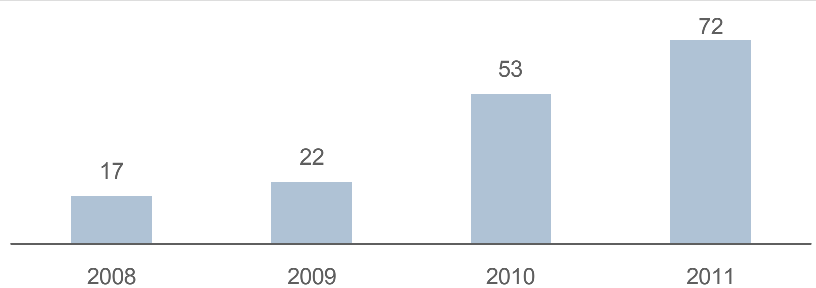
Source: Allison Management.
(1) Includes Class 4-7 trucks, Class 8 straight trucks, buses (school, conventional transit, shuttle and coach) and motorhomes.
(2) Includes medium- and heavy-duty commercial vehicles.

Increasing Adoption in Emerging Markets – China Case Study

- **Allison is the #1 supplier of fully-automatic transmissions in China as a result of targeting specific vocations**
  - — Substantial installed base of over 35,000 transmissions in China
  - — Secular growth due to low penetration
- **Allison's existing bus presence serves as entry point for incremental penetration**
- **Significant growth opportunities by targeting a wide range of vocational applications**
  - — Government emphasis on equipment modernization for mining, rescue operations, school buses and other applications
  - — Construction and oil field sector

Allison's China Truck Vocational Focus

Allison's Cumulative China Truck OEM Releases(1)



(1) Source: Allison.

Global Off-Highway Growth Opportunities

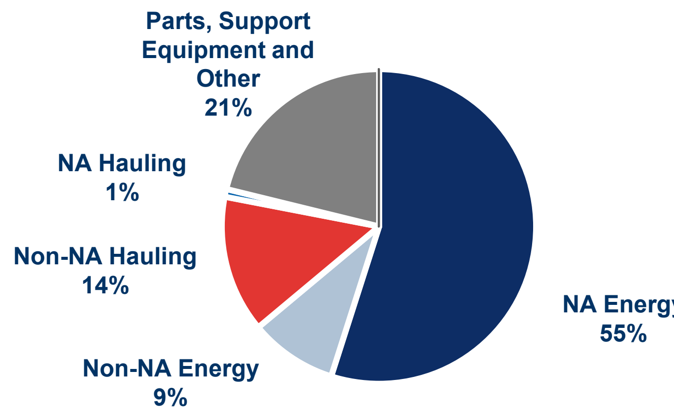
- **Mining and Construction**
  - 3% of total sales(1)
  - NA, Europe, Middle East, Africa and China
  - Increasing global demand for commodities
  - Increasing urbanization in emerging markets



- **Energy Sectors**
  - 13% of total sales(1)
  - Considerable end market cyclicality
  - Multiple opportunities in exploration, fracturing and oil and gas support

(1) Excluding replacement parts.
(2) LTM 6/30/2012.

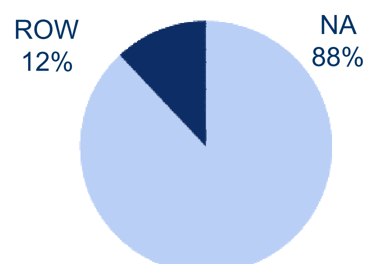
LTM (1) (2) Allison Global Off-Highway Sales

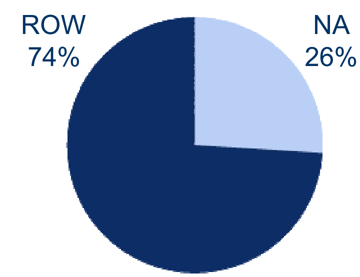


2012 LTM Global Off-Highway Sales: $469 million (21% of total sales)

Hydraulic Fracturing Activity

Current Activity(3)	Total Recoverable Shale Gas(4)





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

Allison Transmission

New Product Development

Class 8 Metro	Hybrid Commercial Vehicle

Class 8 Metro

- Developing a ten-speed fully-automatic transmission targeted at Class 8 tractors serving urban markets
  - Large, addressable market size of ~60k units
  - Historically a "manual" market under addressed by Allison's fully-automatic product portfolio
- Currently being tested by customers

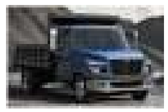
TRACTOR SERIES TC10

Hybrid Commercial Vehicle

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

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

Well Positioned to Gain Share in Underserved Markets

	North America							
		Underserved	Core Addressable Market				Underserved	
	Class 1-3	Class 4-5	Motor Home	School Bus	Class 6-7	Class 8 Straight	Class 8 Metro	Class 8 Linehaul
Vehicles								
Weight (000s of lbs)	< 14 lbs	14 – 19 lbs	16 – 33 lbs	16 – 33 lbs	19 – 33 lbs	33 lbs+	33 lbs+	33 lbs+
2011 Industry Units Produced	5,239,866	59,080	12,255	23,230	72,147	61,611	60,806	132,844
2011 Allison Share	0%	13%	42%	99%	68%	54%	4%	0%

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

- "Metro" is a term for tractors that are used primarily in urban environments, which represent ~30% of the Class 8 tractor market between 1998 and 2011; target market for the TC10 transmission

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

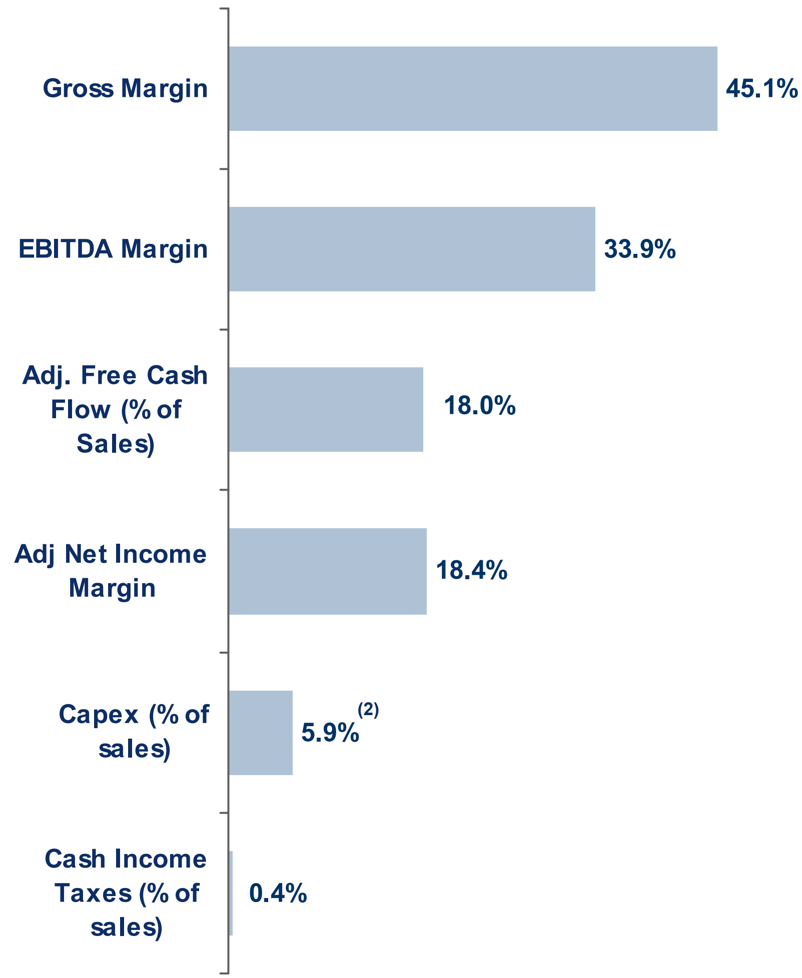
Allison Transmission

Financial Overview

Allison Financial Highlights

- **Strong, sustainable operating margins**
  - End markets diversity
  - Premium vocational pricing model
  - Cost controls and productivity improvement
  - Multi-Tier UAW wage and benefits structure
- **Low capital expenditure requirements**
  - Maintenance capital spending ~$55mm/year
- **Minimal cash income taxes / valuable U.S. tax shield ($0.9-$1.1bn present value)**
- **Positioned for long-term cash earnings growth**
  - Multiple growth opportunities
  - De-leveraging
- **Strong free cash flow supports $0.06 per share quarterly dividend**

LTM (1) Financial Metrics



Note: See appendix for comments regarding the presentation of non-GAAP financial information.
(1) LTM 6/30/2012 .
(2) 2.7% excluding non-North American manufacturing expansion and new product related.

Strong Financial Profile

Financial Summary

In $ millions	Annual				Quarterly		LTM [1]
	2008	**2009**	**2010**	**2011**	**2Q 2011**	**2Q 2012**	
Net Sales	$2,061	$1,767	$1,926	$2,163	$556	$559	$2,251
% Growth	*(5.2%)*	*(14.3%)*	*9.0%*	*12.3%*	*9.0%*	*0.5%*	*11.7%*
Adjusted EBITDA	544	501	617	712	193	191	763
% Margin	*26.4%*	*28.4%*	*32.0%*	*32.9%*	*34.7%*	*34.1%*	*33.9%*
Effective Cash Tax Rate [2]	NM	NM	*2.7%*	*3.9%*	*(18.8%)*	*5.6%*	*4.8%*
Adjusted Net Income	93	50	274	305	11	87	414
% of Net Sales	*4.5%*	*2.8%*	*14.2%*	*14.1%*	*1.9%*	*15.5%*	*18.4%*
Total CapEx	75	88	74	97	16	27	132
% of Net Sales [6]	*3.7%*	*5.0%*	*3.8%*	*4.5%*	*2.9%*	*4.8%*	*5.9%*
Adj. Free cash flow [3,4,5]	193	142	315	372	68	80	406
% of Net Sales	*9.4%*	*8.0%*	*16.4%*	*17.2%*	*12.2%*	*14.3%*	*18.0%*

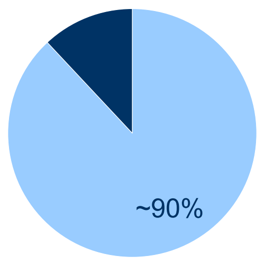
- Significant sales growth since the 2009 trough
- Resiliency through the downturn, evidenced by increasing EBITDA margins and strong free cash flow generation
- Continued investments in global commercial capabilities, new product development and low-cost country manufacturing
- Strong free cash flow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

Note: See appendix for comments regarding the presentation of non-GAAP financial information.
(1) LTM 6/30/2012.
(2) Effective cash tax rate defined as cash income taxes divided by income (loss) before taxes.
(3) Based on operating cash flow less CapEx.
(4) 2009 free cash flow adjusted for non-recurring activity of: (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.
(5) LTM free cash flow adjusted for non-recurring activity of fee to terminate services agreement with Sponsors $16 million due to IPO.
(6) LTM is 2.7% excluding non-North American manufacturing expansion and new product related.

Allison Transmission

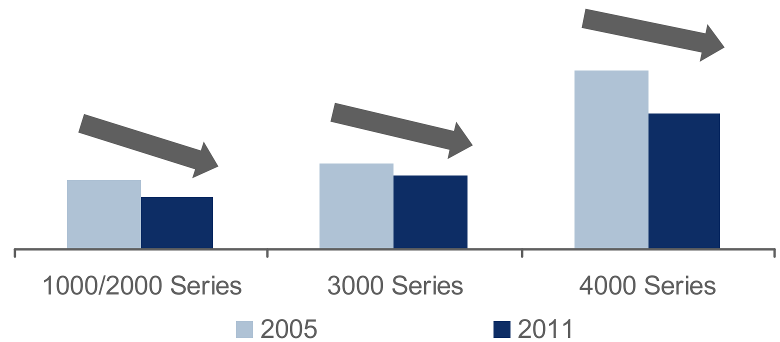
Sustainable Margins with Further Enhancement Opportunities

Long-Term Customer Supply Agreements



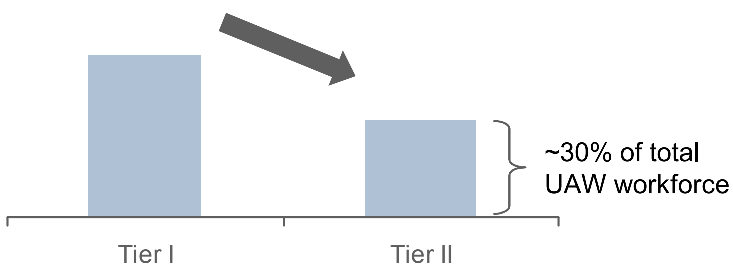
~90% of 2011 N.A. On-Highway Unit Volume was covered by long-term customer supply agreements

Manufacturing Efficiencies (hours/unit)



Hours Per Unit continue to decline

Workforce Optimization (cost/employee)



Significant savings driven by retirement of Tier I workers; 800 hourly employees are retirement eligible (~53% of workforce)

International Manufacturing

India (~$107mm total investment; ~$3mm remaining[(1)])

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

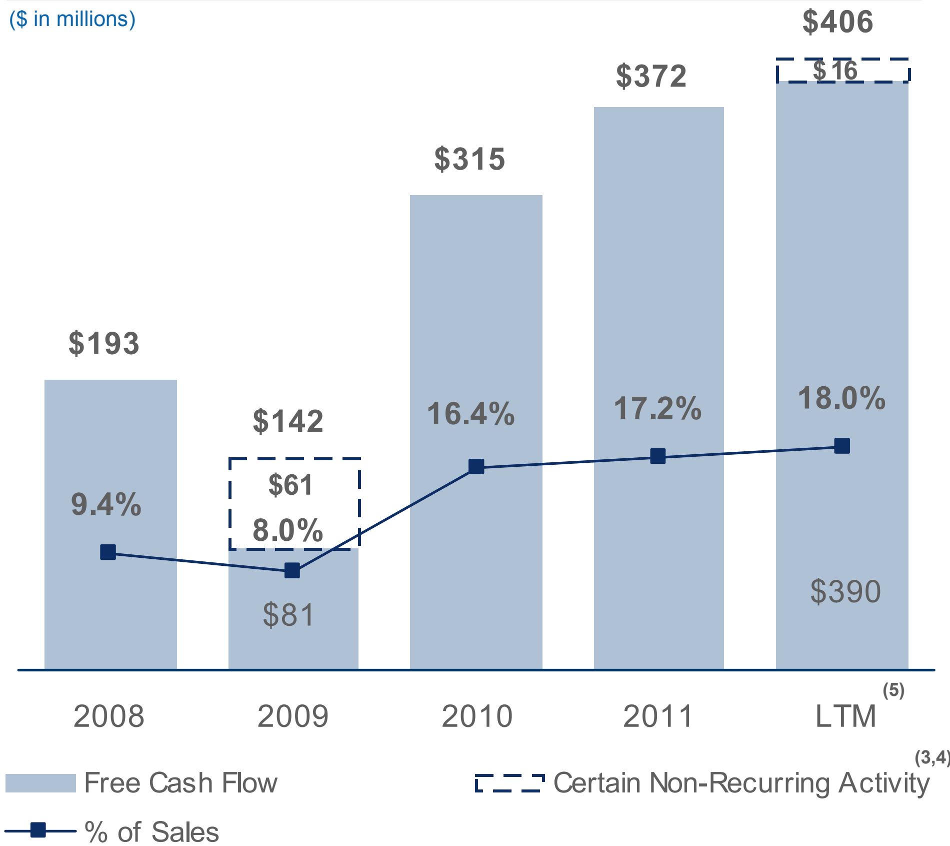
Hungary (~$17mm total investment)

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

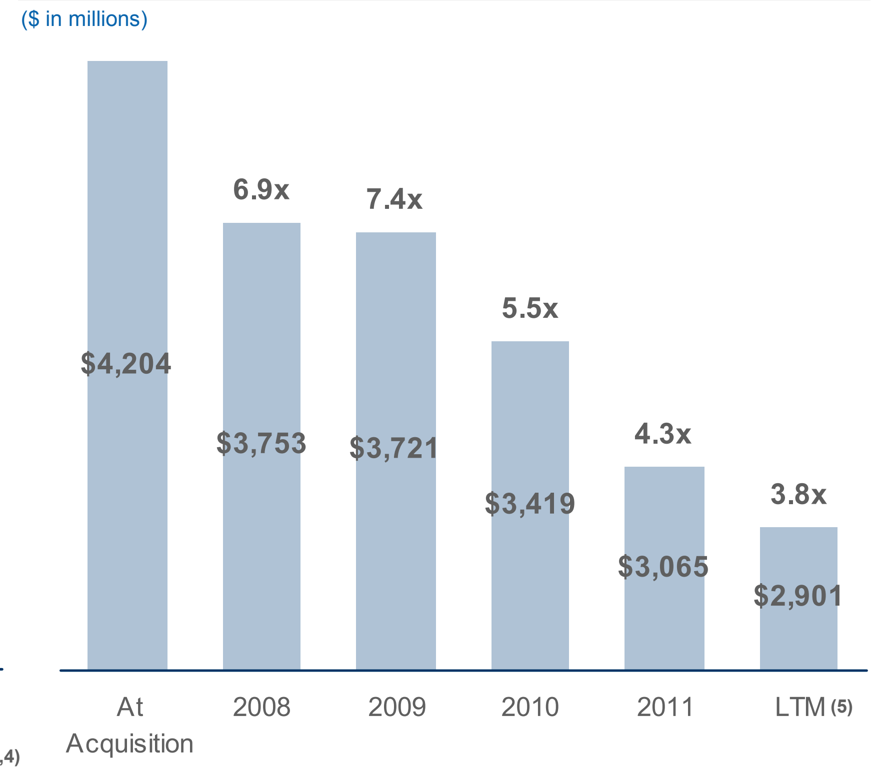
Source: Allison.
(1) As of 6/30/2012.

Significant Cash Flow Generation

Free Cash Flow Generation(1)



Net Debt(2)



Net debt reduction of more than $1.2 bn since acquisition(6)

Note: See appendix for comments regarding the presentation of non-GAAP financial information.
(1) Free cash flow defined as cash flow from operations less CapEx.
(2) Net debt defined as total debt minus cash and cash equivalents.
(3) 2009 free cash flow adjusted for certain non-recurring activity of (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.
(4) LTM free cash flow flow adjusted for non-recurring activity of fee to terminate services agreement with Sponsors $16 million due to IPO.
(5) LTM 6/30/2012.
(6) Represents debt reduction through 6/30/2012.

Allison Transmission

Income Tax Attributes

Income Tax attributes overview

- Carlyle and Onex acquired Allison from General Motors in August 2007
  - Asset deal structure
  - Step-up in basis for U.S. federal income tax purposes
- As of 12/31/2011 Allison had $3.3bn of unamortized intangible assets
  - Expect annual U.S. federal income tax deductions of $315mm through 2021 and $183mm in 2022
- Net operating loss carryforward of $382mm as of 12/31/2011

($ millions)	Total	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Annual tax amortization	$3,333	$315	$315	$315	$315	$315	$315	$315	$315	$315	$315	$183
Cash tax savings[1]	**1,283**	121	121	121	121	121	121	121	121	121	121	70
Cash tax savings of NOLs[2]	**134**											
Grand total	**$1,417**											

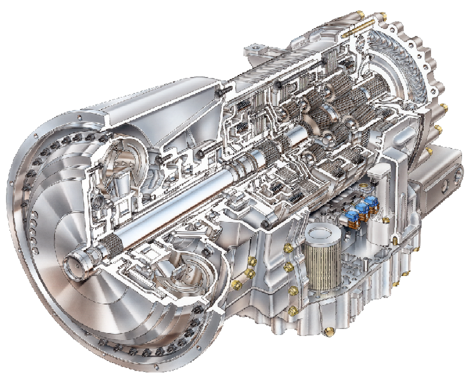
Results in present value tax savings of $900-$1,100mm[(3)]

(1) Assuming continued profitability and no limitations at an assumed 38.5% federal and state tax rate.
(2) Calculated at a 35.0% federal tax rate on the $382mm of federal NOL carryforward balance as of 12/31/2011.
(3) Based on annual discount rate of 5-10%; includes both amortization of intangibles and federal NOL's (contingent on timing of taxable income).

Summary / Guidance / Q&A

Strategic Priorities

- **Expand global market leadership**
  - Capitalize on continued market recovery
  - New vocational offerings
- **Emerging markets penetration**
  - Vocational ladder strategy
  - Increase number of vehicle releases
- **Continued focus on new technologies and product development**
  - Address markets adjacent to core
  - Advanced fuel efficient technologies
- **Deliver strong financial results**
  - Earnings growth and cash flow generation
  - Focus on continued margin enhancement



Full Year 2012 Guidance

	Guidance	Commentary on Full Year
Net Sales Growth from 2011	1 to 3 percent	Assumes year over year growth in Global On-Highway, Outside North America Off-Highway and Service Parts, Support Equipment & Other end markets partially offset by year over year reductions in North America Off-Highway, Military and North America Hybrid-Propulsion Systems for Transit Bus end markets
Adjusted EBITDA % (1)	33.5 to 34.0 percent	Driven by sales mix and volume timing
Adjusted Free Cash Flow ($ in millions)	$350 to $375	$1.85 to $2.00 per diluted share
CapEx ($ in millions) Maintenance New Facilities New Product Programs	 $55 to $60 $25 to $30 $35 to $40	New facilities and product programs subject to timely completion of development and sourcing milestones
Cash Income Taxes ($ in millions)	$10 to $15	U.S. income tax shield and net operating loss utilization

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

Appendix: Non-GAAP Financial Information

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 (loss), interest expense, net, income tax expense, trade name impairment and amortization of intangible assets, less cash interest expense, net and cash income taxes. 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 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 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 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, 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 margin, 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.

Non-GAAP Reconciliations (1 of 2)

Adjusted Net Income and Adjusted EBITDA Reconciliation

$ in millions	For the year ended December 31,				Three months ended June 30,		Last twelve months ended June 30,
	2008	**2009**	**2010**	**2011**	**2011**	**2012**	**2012**
Net (loss) income	**($328.1)**	**($323.9)**	**$29.6**	**$103.0**	**($17.2)**	**$412.8**	**$554.1**
plus:							
Interest expense, net	385.9	234.2	277.5	217.3	71.0	34.1	171.5
Cash interest expense, net	(334.2)	(242.5)	(239.1)	(208.6)	(84.9)	(52.7)	(182.6)
Income tax expense	37.1	41.4	53.7	47.6	6.0	(350.1)	(301.3)
Cash income taxes	(4.3)	(5.5)	(2.2)	(5.8)	(2.1)	(3.5)	(8.5)
Fee to terminate services agreement with Sponsors	—	—	—	—	—	0.0	16.0
Initial public offering expenses	—	—	—	—	—	0.4	6.1
Technology-related investment expense	—	—	—	—	—	8.0	8.0
Trade name impairment	179.8	190.0	—	—	—	—	—
Amortization of intangible assets	156.5	155.9	154.2	151.9	38.0	37.5	150.9
Adjusted net income	**$92.7**	**$49.6**	**$273.7**	**$305.4**	**$10.8**	**$86.5**	**$414.2**
Cash interest expense, net	334.2	242.5	239.1	208.6	84.9	52.7	182.6
Cash income taxes	4.3	5.5	2.2	5.8	2.1	3.5	8.5
Depreciation of property, plant and equipment	106.6	105.9	99.6	103.8	25.8	25.2	102.2
Premiums and expenses on tender offer of long-term debt	—	—	—	56.9	56.9	—	0.0
Dual power inverter module extended coverage	—	11.4	(1.9)	—	—	9.4	9.4
(Gain) / loss on repurchases of long-term debt	2.2	(8.9)	(3.3)	16.0	—	—	7.7
Unrealized (gain) loss on hedge contracts	(21.0)	(5.8)	0.1	6.8	2.6	1.7	6.8
Reduction of supply contract liability	—	—	(3.4)	—	—	—	—
(Gain)/Loss on repurchases of long-term debt	—	—	—	—	8.3	7.6	21.1
Restructuring charges	15.7	47.9	—	—	0.6	—	(0.6)
Other, net(1)	9.3	53.2	10.9	8.6	1.0	4.1	11.5
Adjusted EBITDA	**$544.0**	**$501.3**	**$617.0**	**$711.9**	**$193.0**	**$190.7**	**$763.4**
Net sales	**$2,061.4**	**$1,766.7**	**$1,926.3**	**$2,162.8**	**$555.7**	**$559.4**	**$2,251.4**
Adjusted EBITDA margin	**26.4%**	**28.4%**	**32.0%**	**32.9%**	**34.7%**	**34.1%**	**33.9%**

(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	For the year ended December 31,				Three months ended June 30,		Last twelve months ended June 30,
	2008	**2009**	**2010**	**2011**	**2011**	**2012**	**2012**
Net Cash Provided by Operating Activities	**$268.1**	**$168.7**	**$388.9**	**$469.2**	**$83.8**	**$106.9**	**$522.0**
(Deductions) or Additions:							
Long-lived assets	(75.3)	(88.2)	(73.8)	(96.9)	(16.0)	(26.8)	(131.8)
Fee to terminate services agreement with Sponsors	—	—	—	—	—	0.0	16.0
Non-Recurring Activity [1]	—	61.0	—	—	—	—	—
Adjusted Free Cash Flow	**$192.8**	**$141.5**	**$315.1**	**$372.3**	**$67.8**	**$80.1**	**$406.2**
Net Sales	**$2,061.4**	**$1,766.7**	**$1,926.3**	**$2,162.8**	**$555.7**	**$559.4**	**$2,251.4**
Adjusted Free Cash Flow (% to Net Sales)	**9.4%**	**8.0%**	**16.4%**	**17.2%**	**12.2%**	**14.3%**	**18.0%**

(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.

Allison Transmission

Key Definitions

Key Definitions

Types of Transmissions		
Fully-automatic transmission	Utilize technology that smoothly shifts gears without power interruption	
Automated manual transmission	Manual transmissions that feature automated operation of the disconnect clutch with power interruption	
Manual transmission	Utilize a disconnect clutch with power interruption	Most prevalent transmission type used in North America Class 8 tractors and in medium and heavy-duty commercial vehicles outside North America

End Markets	North America	Outside North America
	On-Highway	On-Highway
	Off-Highway	Off-Highway
	Hybrid Transit Bus	
	Military	
	Service Parts, Support Equipment and Other	Service Parts, Support Equipment and Other

End Markets – North America (1 of 2)

On-Highway		
Trucks	Classes	Vocation
	Class 4-5 - Medium duty Class 6-7 - Heavy duty	Lease and rental Emergency - ambulance, fire, rescue Distribution - logistics, parcel delivery Airport operations Refuse Utilities
	Class 8 Straight Metro Tractor Tractor	Refuse Distribution Emergency - fire Construction Transport cargo (dock spotters) Distribution Line haul
Buses	Buses	School Transit: Conventional (urban) Shuttle (airport) Coach (long distance)
	Motorhomes	Type A - large (gasoline and diesel)

Hybrid Transit Bus		
	Buses and shuttle buses	Public transit

End Markets – North America (2 of 2)

Off-Highway		
	Vehicle	**Vocation**
	Well-stimulation equipment (stationary and mobile) Pumping equipment, Well servicing rigs	Energy
	Rigid dump trucks Underground trucks Heavy haul tractor trailer trucks	Mining
	Specialty vehicles Airport crash trucks (large fire trucks)	Construction / Specialty
Military		
	Medium- and heavy- tactical wheeled platforms	Armored security vehicle (ASV) Family of medium tactical vehicles (FMTV) Heavy expanded mobility tactical truck (HEMTT) Heavy equipment transporter (HET) Logistic vehicle system replacement (LVSR) Mine resistant ambush protected (MRAP) Palletized load system (PLS) M900 family of vehicles Stryker
	Tracked combat platforms	Abrams Tank M113
Service Parts, Support Equipment and Other		
	Service parts, support equipment, remanufactured transmissions, fluids	

End Markets – Outside North America (1 of 2)

On-Highway		
Trucks	Classes	Vocation
	3.5 – 7.5 tonnes 7.5 – 16 tonnes	Commercial – lease and rental Emergency – ambulance, fire, rescue Distribution – logistics, parcel delivery Airport operations Refuse Utilities
	Greater than 16 tonnes Straight Truck Metro Tractor	Refuse Distribution Emergency – fire Transport cargo (dock spotters) Specialty vehicles (crane carriers) Construction Distribution
Buses	Buses	School Transit: Conventional (urban) Shuttle (airport) Coach (long distance)

Allison Transmission

End Markets – Outside North America (2 of 2)

Off-Highway		
	Vehicle	Vocation
	Well stimulation equipment (stationary and mobile)	Energy
	Rigid dump trucks Underground trucks Heavy haul tractor trailer trucks	Mining
	Specialty vehicles Airport crash trucks (large fire trucks)	Construction / Specialty

Service Parts, Support Equipment and Other		
	Service parts, support equipment, remanufactured transmissions, fluids	