



Twin Disc, Incorporated



**NOTE:** All EPS figures contained in these presentation materials have been adjusted for the January 2008 2-for-1 stock split.



# Safe Harbor Statement

This presentation contains statements that are forward-looking within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These statements are based on management's current expectations that are based on assumptions that are subject to risks and uncertainties. Actual results may vary because of variations between these assumptions and actual performance. Investors are referred to Twin Disc's fiscal year 2006 Annual Report and Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Forward-Looking Information," which outlines certain risks regarding the Company's forward-looking statements. Copies of the Company's SEC filings may be obtained from the SEC, and are available on Twin Disc's web site ([www.twindisc.com](http://www.twindisc.com)), or by request from the Investor Relations department at the Company.

# Twin Disc At A Glance



- Founded in 1918
- Headquartered in Racine, WI
- 1,000 employees
- We are a global company
  - Well-known customers around the world
  - Operations in the U.S., Italy, Belgium, Switzerland and Japan
  - World-wide distributor network

# FY 2008 Financial Highlights

- Record 1<sup>st</sup> & 2<sup>nd</sup> Quarter Sales
  - Continued growth from mega-yacht and commercial marine markets
  - Strong demand for land based transmission products for the Airport Rescue and Fire Fighting (ARFF) and military markets
  - Experiencing cyclical softening in industrial product markets
  - 2<sup>nd</sup> Quarter slow down in demand for oil and gas transmissions
- Gross margins remain >30%
- Equaled FY 2007's first half record net earnings
- 2<sup>nd</sup> Qtr Six Month Backlog >> \$121 million record

# Key Investment Highlights

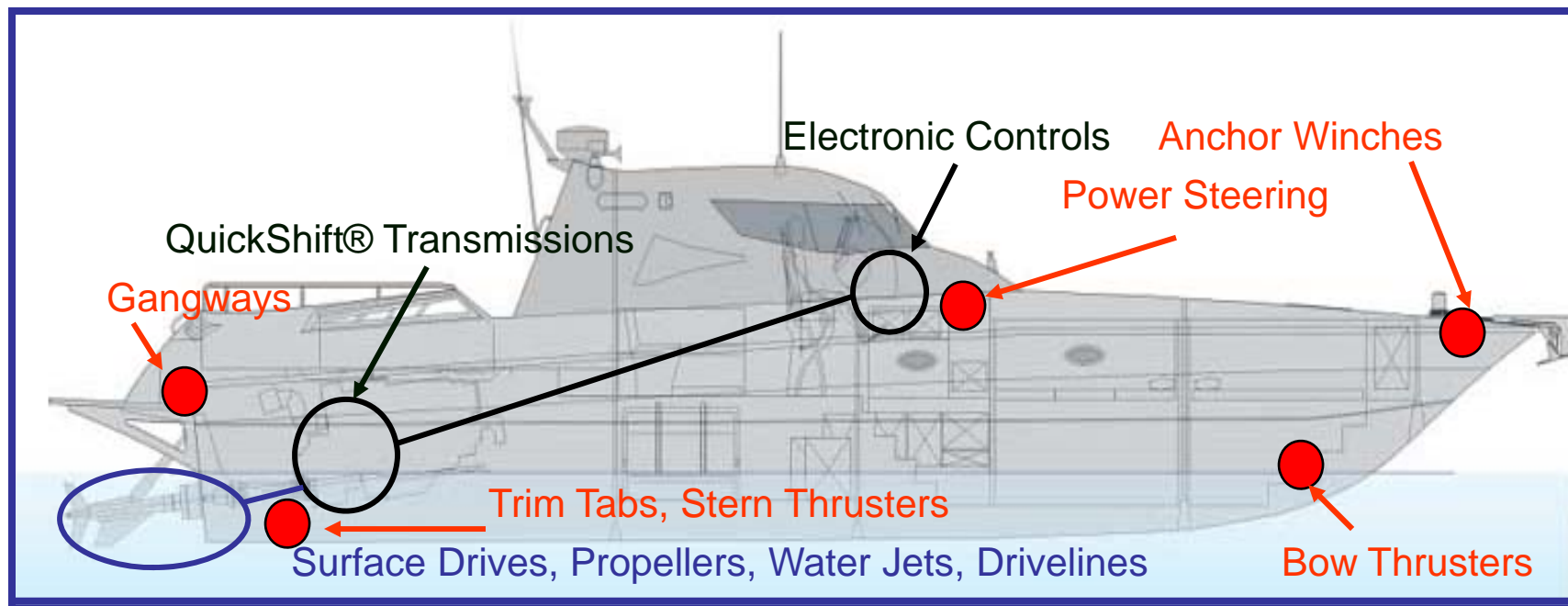
- Added To Russell 2000 Index
- Two 2-for-1 Stock Splits (last 2 years)
- Three Dividend Increases (last 2 years)
- Share Repurchase Program
- Strong Balance Sheet

# Marine Markets



# Marine Systems

## Marine Transmissions, Propulsion & Boat Management Systems





# Marine Systems



- Target Markets: Pleasure, commercial & military boats 30' to 250'
- Products: Transmissions, Surface Drives, Propellers, Steering/Thruster/Trim Systems
- Channels: Engine OEMs & dealers & boat builders
- Customers: CAT, Cummins, MAN, MTU, Volvo / Azimuth, Baia, Ferretti, Hatteras, Riviera, Sanlorenzo, Sunseeker
- Competition: ZF, Reintjes / Kamewa /Side Power, Ultraflex



# Transmission Systems

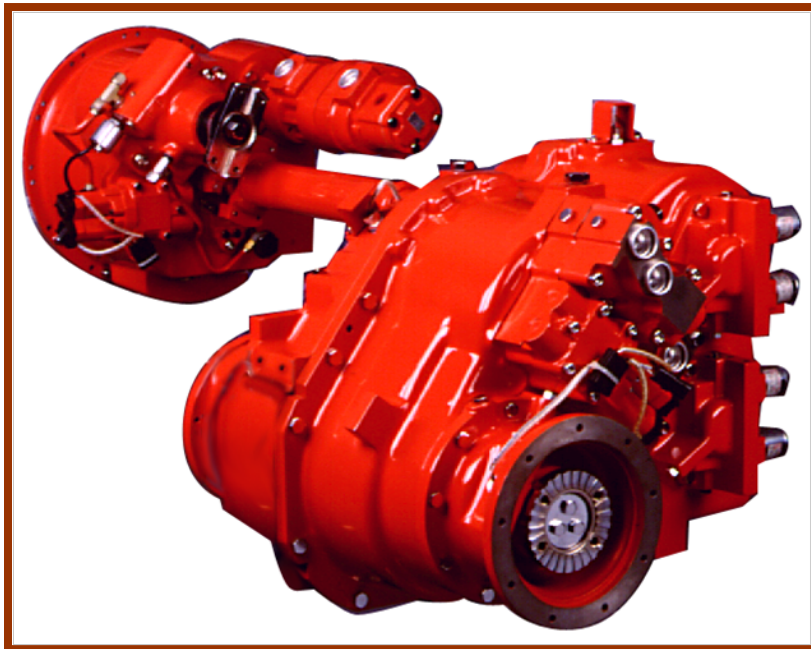


# Transmission Systems

**Transmissions**

**Torque Converters**

**Electronic Controls**



- Target Market: Off-highway and all-terrain specialty vehicles
- Products: Niche products - 400 to 3,000 HP
- Channel: OEM vehicle mfrs.
- Customers: BAE, Oshkosh, Tatra / BJ Services, Cisco High-Lift, Crown Energy, Enerflo, Fractec, Trican
- Competitors: Allison, ZF

# Industrial Products





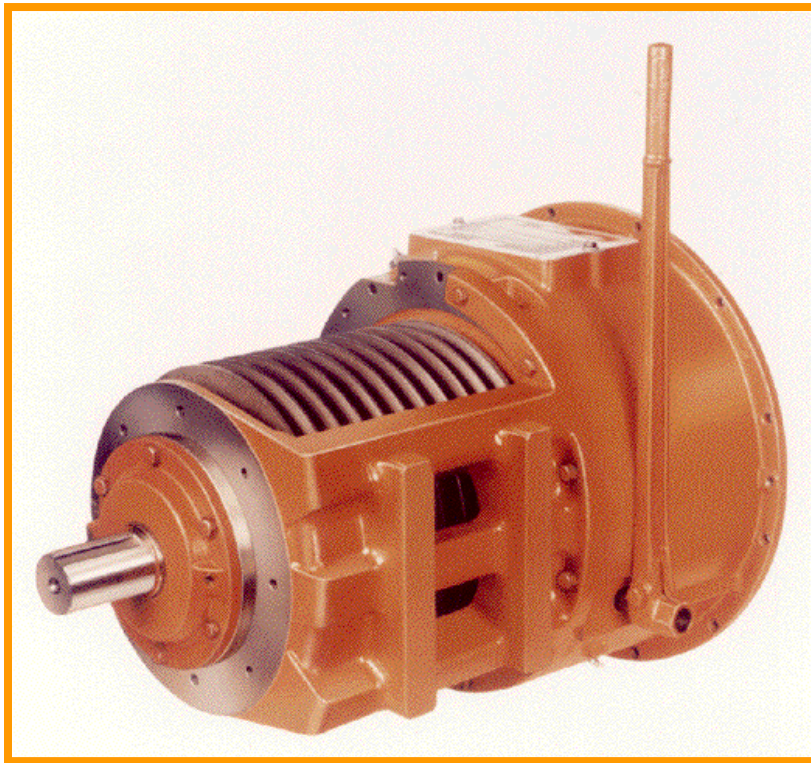
# Industrial Products

Clutches

PTOs

Torque Converters

Variable Speed & Starting Drives



- Target Market: Heavy duty industrial disconnect applns
- Products: Mech & hyd clutches, PTOs & pump mount drives - 100 - 2,500 HP
- Channels: Distribution & OEMs
- Customers: Bandit, Morbark, Peterson Pacific / OEM engine dealers
- Competitors: Funk, NACD, PT Tech, Stiebel, Transfluid, WPT

# Technology Differentiation

- Land-Based
  - 8500 Series
  - “Pump & Roll”
  - “Legacy” Contracts
  - Electronic Control Systems
- Marine
  - QuickShift®
  - Dynamic Positioning
  - Rolla CFD
  - Electronic/Hydraulic Boat Management Systems

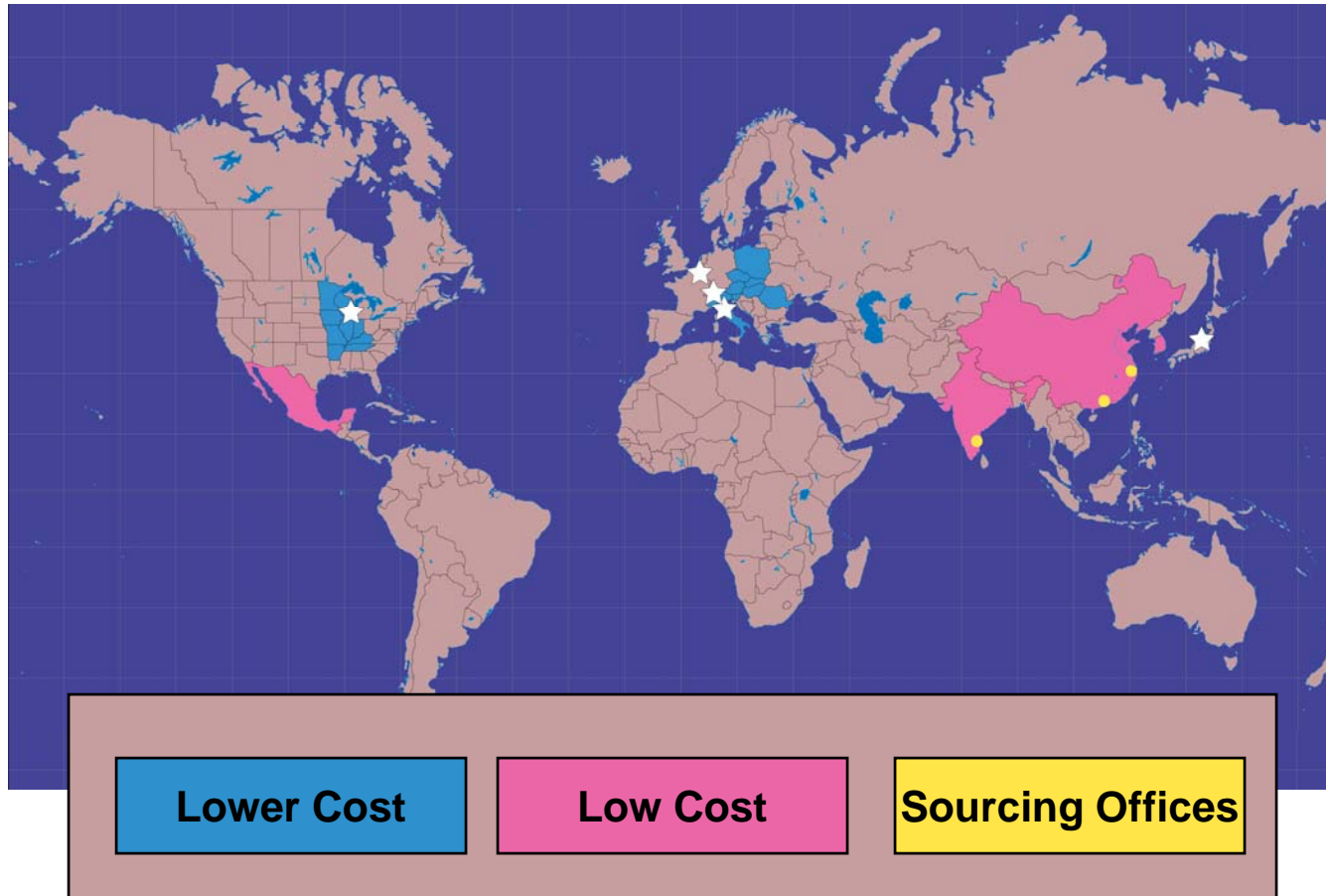
# Managing Our Cost Structure

## Investing in Core Competencies



# Managing Our Cost Structure

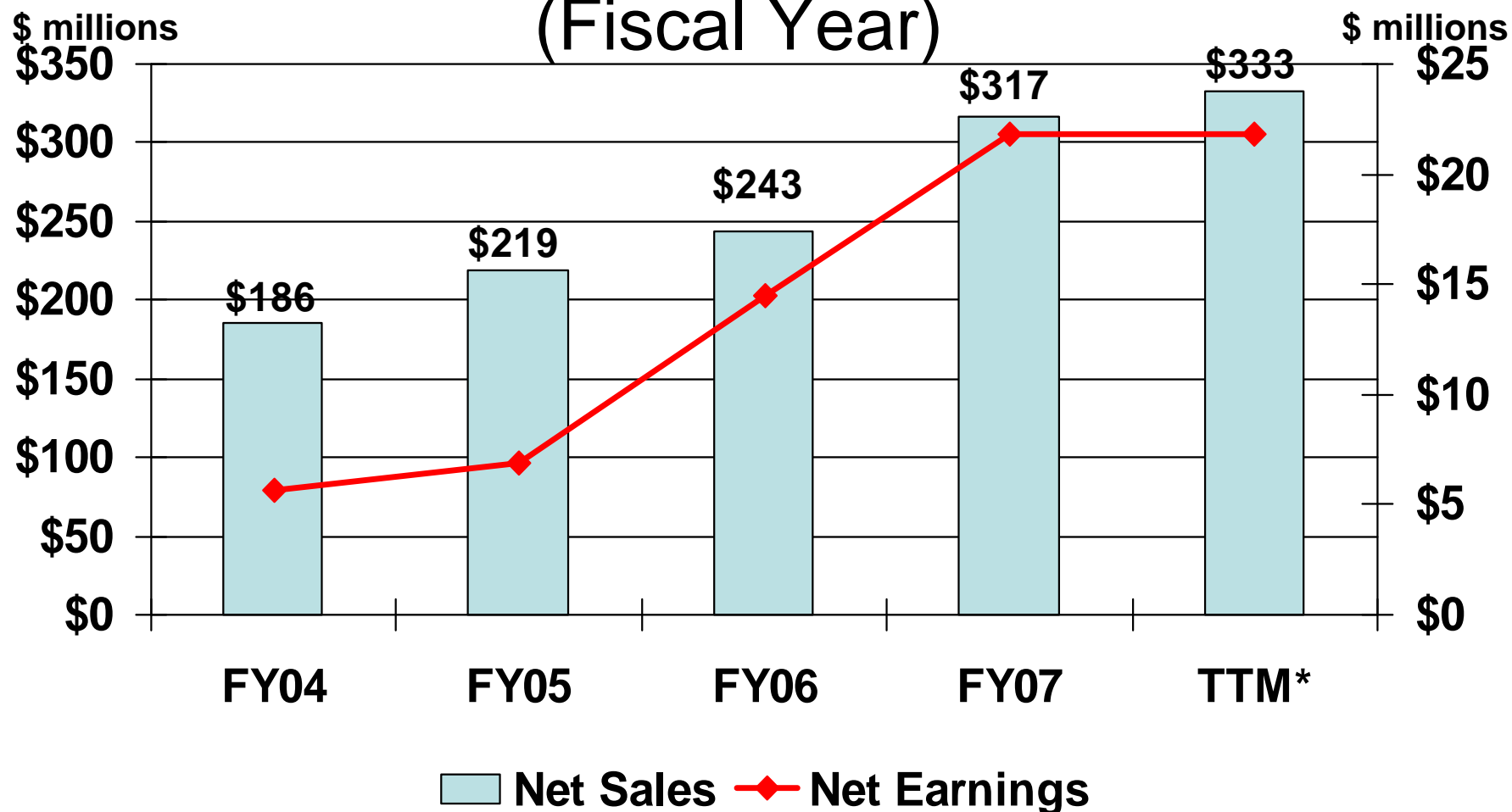
## Global Sourcing





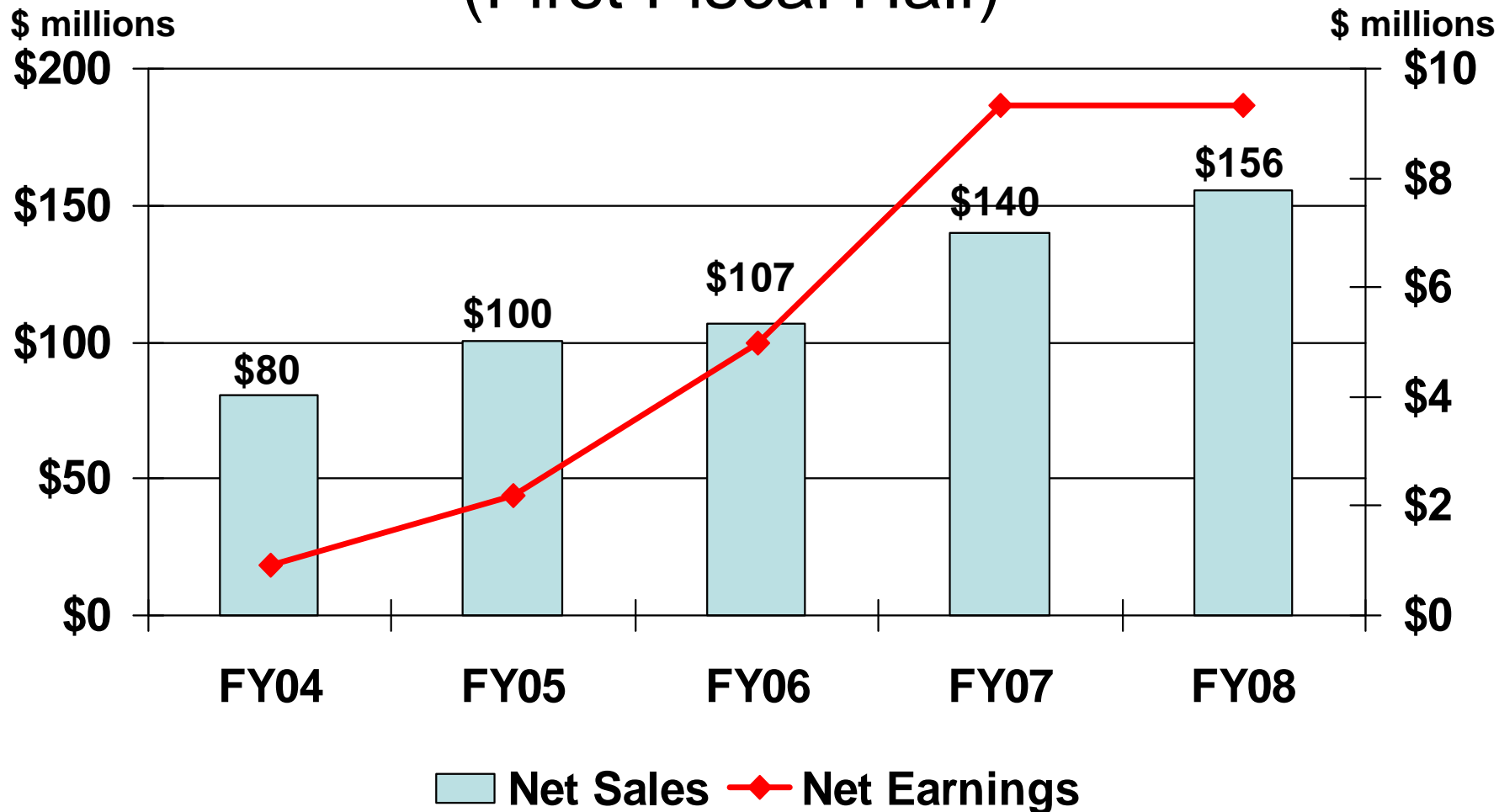


# Net Sales & Net Earnings (Fiscal Year)

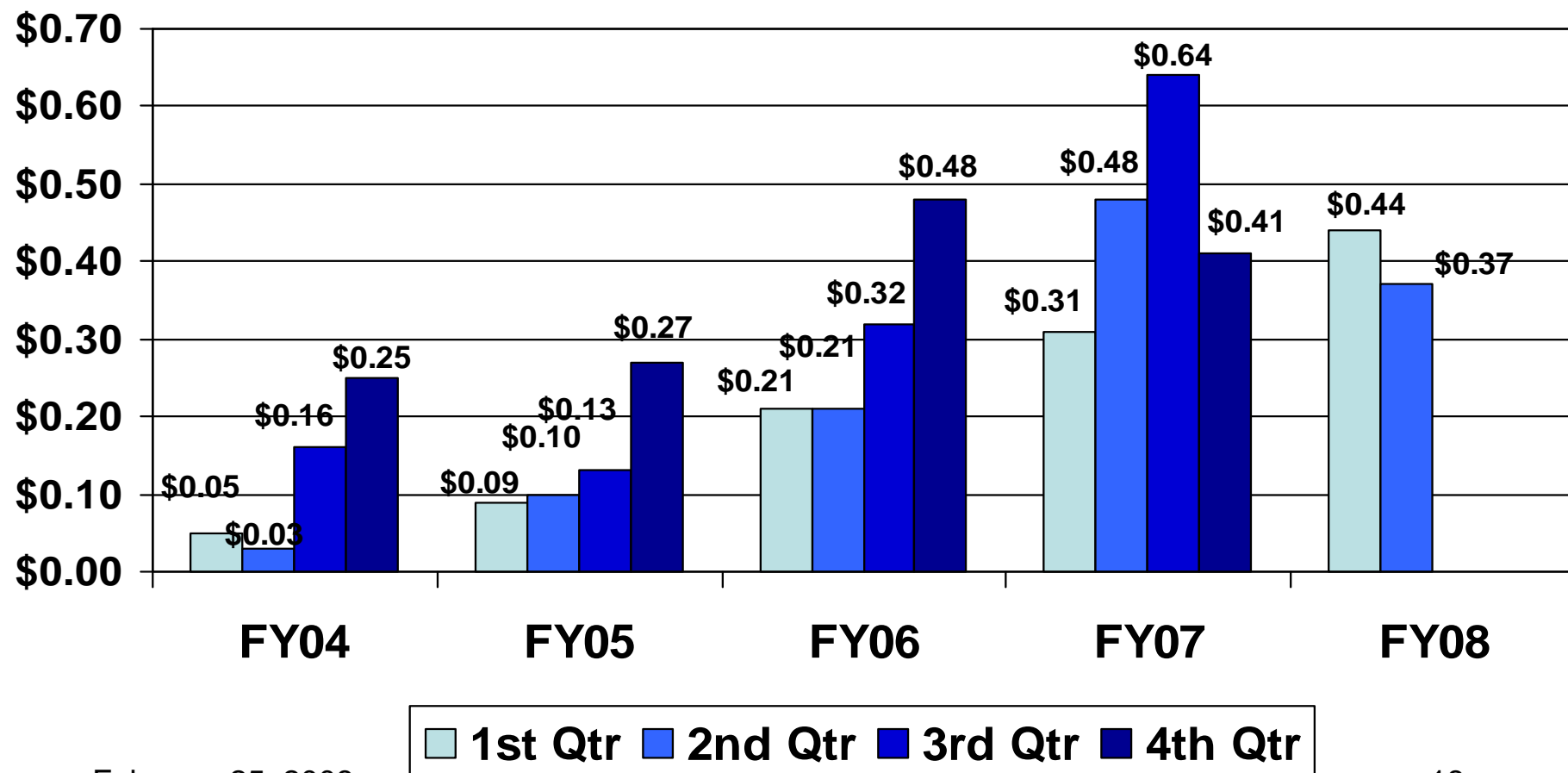


\* See Appendix III for reconciliation of TTM (trailing 12 month) figures to reported figures.

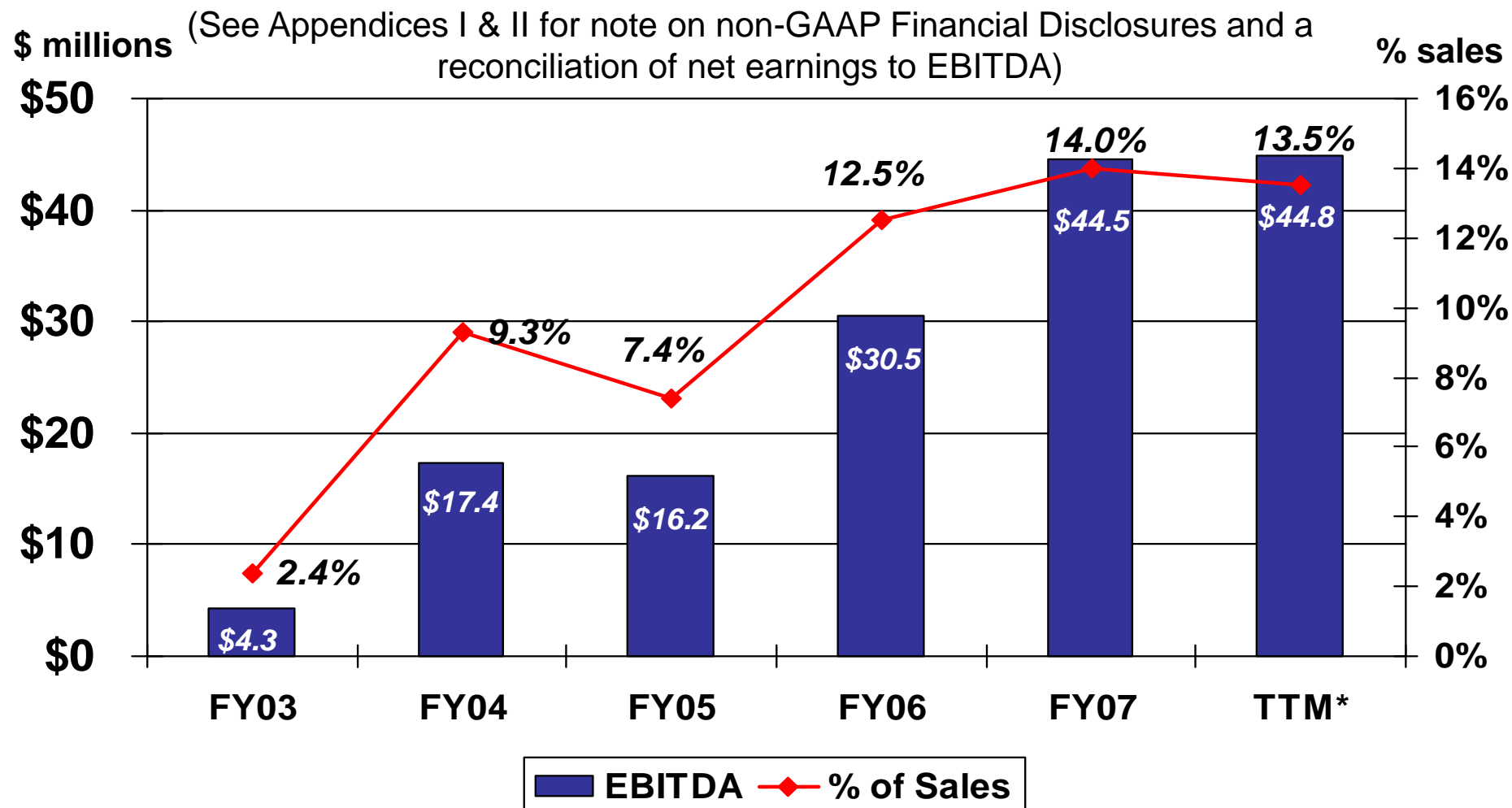
# Net Sales & Net Earnings (First Fiscal Half)



# Consolidated Earnings Per Share (Diluted)

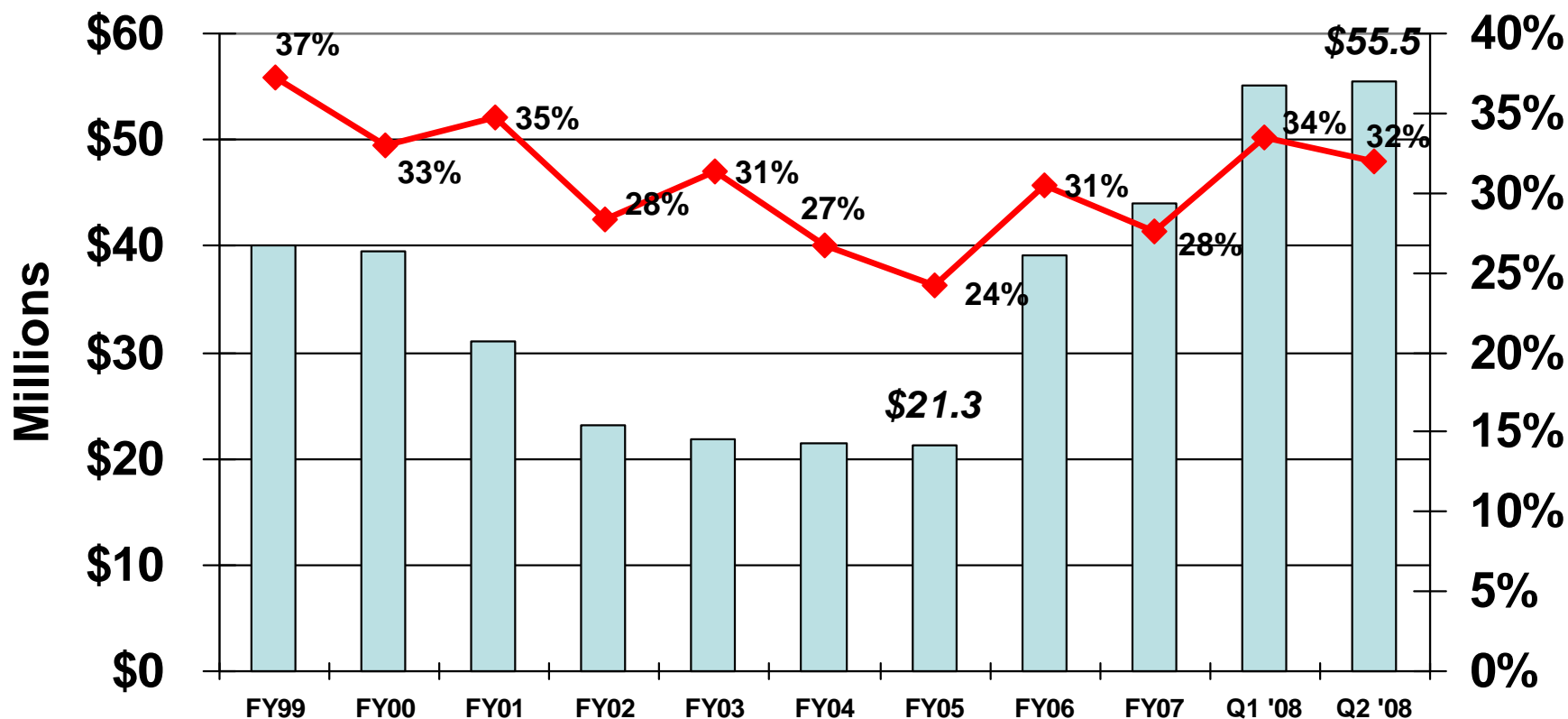


# EBITDA



\* See Appendix III for reconciliation of TTM figures to reported figures.

# Debt (\$) & Debt to Total Capital (%)



1<sup>st</sup> half cash outflows included —

- **Stock Repurchases**  
(520,000 shares (post-split figure)  
repurchased in 1<sup>st</sup> fiscal quarter)
- **1<sup>st</sup> Half CAPEX**
- **Domestic Pension Contributions**

\$13,475,000

6,820,000

1,720,000

February 25, 2008

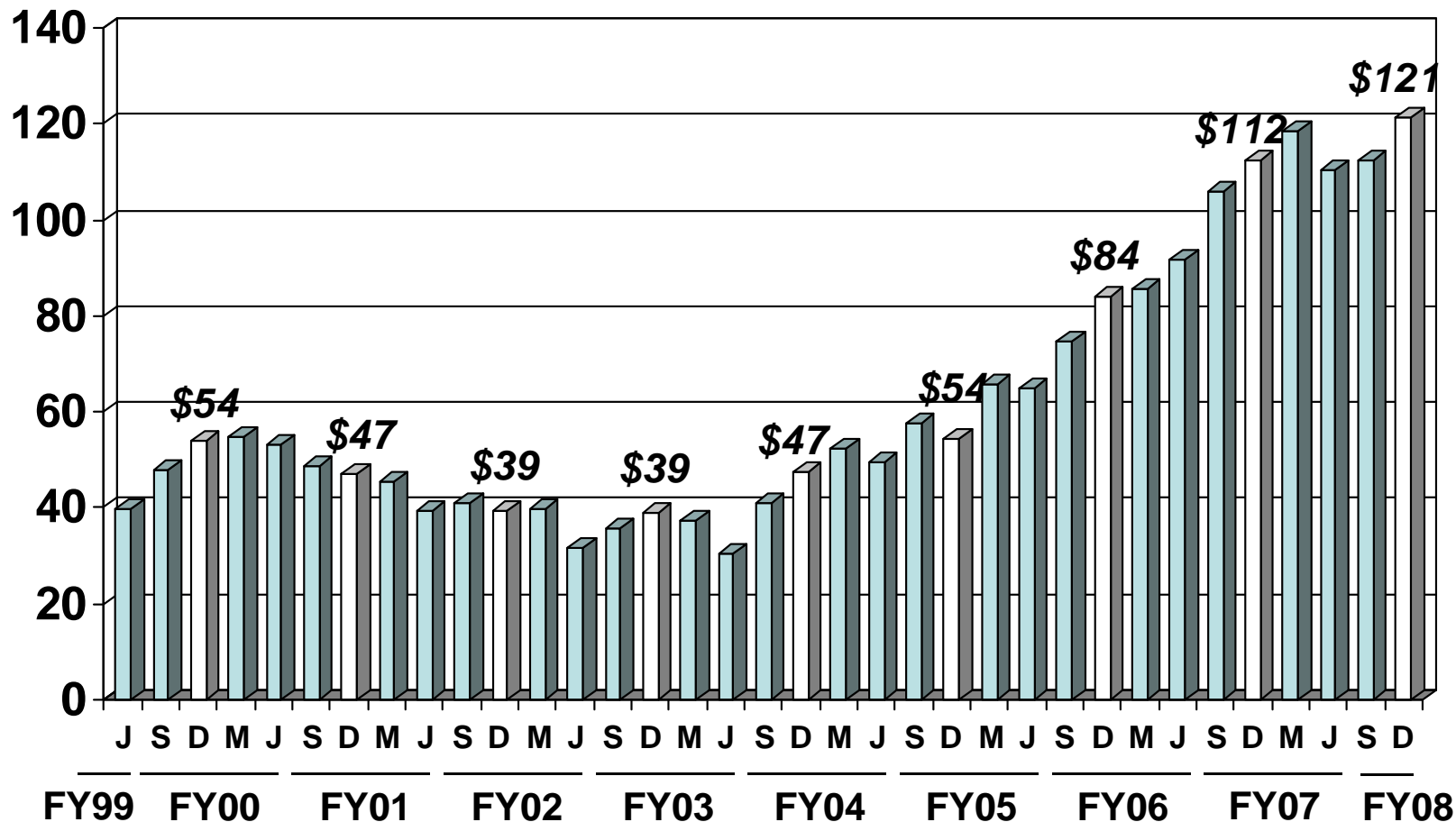
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# Corporate Six Month Backlog

(Orders to be shipped in the next 6 months)

\$ millions



# Fiscal Year 2008 Outlook

- FY 2008 will be another good year
- Cyclical softening continues in industrial markets
- Slow down in demand for oil and gas transmissions
- Key markets will remain strong
  - Outlook for mega-yachts is bright
  - Activity in crew & supply boats is solid
  - Demand & inquiries for military transmissions remain strong
  - Global outlook for Airport Rescue & Fire Fighting (ARFF) vehicular transmissions continues to be very good



# Fiscal Year 2008 Outlook

- Technology differentiation/new products
- Opportunity for operating leverage continues
  - Increasing volume
  - Expanding global outsourcing
  - Investing in core competencies
- Active Acquisition Program
- Board authorized repurchase of up to an 500,000 additional shares



Twin Disc, Incorporated





# Appendices



# Appendix I

## Non-GAAP Financial Disclosures

### Non-GAAP Financial Disclosures

Financial information excluding the impact of certain significant items in this presentation are not measures that are defined in U.S. Generally Accepted Accounting Principles ("GAAP"). These items are measures that management believes are important to adjust for in order to have a meaningful comparison to prior and future periods and to provide a basis for future projections and for estimating our earnings growth prospects. Non-GAAP measures are used by management as a performance measure to judge profitability of our business absent the impact of foreign currency exchange rate changes and acquisitions. Management analyzes the company's business performance and trends excluding these amounts. These measures, as well as EBITDA, provide a more consistent view of performance than the closest GAAP equivalent for management and investors. Management compensates for this by using these measures in combination with the GAAP measures. The presentation of the non-GAAP measures in this presentation are made alongside the most directly comparable GAAP measures.

### Definition - Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The sum of, net earnings and adding back provision for income taxes, interest expense, depreciations and amortization expenses: this is a financial measure of the profit generated excluding the above mentioned items.



# Appendix II

## Reconciliation of Net Earnings to EBITDA

<i>in \$ thousands, except % data</i>	2003	2004	2005	2006	2007	TTM*
<b>Net Earnings</b>	<b>\$ (2,394)</b>	<b>\$ 5,643</b>	<b>\$ 6,910</b>	<b>\$ 14,453</b>	<b>\$ 21,852</b>	<b>\$ 21,824</b>
Income Taxes	(300)	4,964	2,485	8,470	12,273	12,290
Interest Expense	1,323	1,078	1,134	1,718	3,154	3,255
Depreciation & Amortization	5,673	5,692	5,677	5,866	7,252	7,444
<b>Earnings before interest, taxes, depreciation and amortization</b>	<b>\$ 4,302</b>	<b>\$ 17,377</b>	<b>\$ 16,206</b>	<b>\$ 30,507</b>	<b>\$ 44,531</b>	<b>\$ 44,813</b>
<b>Net Sales</b>	<b>\$ 179,591</b>	<b>\$ 186,089</b>	<b>\$ 218,472</b>	<b>\$ 243,287</b>	<b>\$ 317,200</b>	<b>\$ 332,694</b>
<b>EBITDA as a % of Sales</b>	<b>2.4%</b>	<b>9.3%</b>	<b>7.4%</b>	<b>12.5%</b>	<b>14.0%</b>	<b>13.5%</b>

\* See Appendix III for reconciliation of TTM figures to reported figures.

# Appendix III

## Reconciliation of TTM Data to Reported Quarterly Figures

	(A)	(B)	(C)	(A)+(B)-(C)
	<u>1st Half FY 08</u>	<u>FY 07</u>	<u>1st Half FY 07*</u>	<u>TTM</u>
	<i>per Q2 10Q</i>	<i>per 10-K</i>	<i>per Q2 10Q</i>	
Sales	\$ 155,507	\$ 317,200	\$ 140,013	\$ 332,694
Gross Profit	49,196	102,909	44,702	107,403
Interest Exp	1,568	3,154	1,467	3,255
Net Earnings	9,314	21,852	9,342	21,824
EPS, Diluted **	\$ 0.81	\$ 1.84	\$ 0.79	\$ 1.86
EPS, Basic **	\$ 0.82	\$ 1.88	\$ 0.80	\$ 1.90
CAPEX	6,820	15,681	8,011	14,490
Deprec.	3,560	7,252	3,368	7,444
Oper Cash Flow	11,028	17,486	(6,408)	34,922
Dividends	1,437	2,395	1,109	2,723
Pretax Income	15,382	34,329	15,383	34,328
Taxes	5,967	12,273	5,950	12,290

\* Quaterly Data is from the Company's unaudited quarterly Form 10-Q filings with the SEC.

\*\* Fiscal year 2007 EPS data adjusted for January 2008 2-for-1 stock split.



# Appendix IV

## 2<sup>nd</sup> Fiscal Quarter Condensed Consolidated Statements of Operations

(\$ thousands, unaudited)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Sales</b>	\$ 81,894	\$ 74,239	\$ 57,051	\$ 54,731
<b>Gross Profit</b>	25,346	24,389	16,023	13,938
	30.9%	32.9%	28.1%	25.5%
<b>MEA Expense</b>	17,378	14,528	11,489	11,261
	21.2%	19.6%	20.1%	20.6%
<b>Interest Expense</b>	825	824	399	291
<b>Misc. Exp/(Inc)</b>	<u>179</u>	<u>(248)</u>	<u>(47)</u>	<u>185</u>
<b>Pretax Earnings</b>	6,964	9,285	4,182	2,201
<b>Income Taxes</b>	2,729	3,573	1,671	1,045
<b>Minority Interest</b>	(26)	(42)	(22)	(43)
<b>Net Earnings</b>	<u>\$ 4,209</u>	<u>\$ 5,670</u>	<u>\$ 2,489</u>	<u>\$ 1,113</u>
<b>EBITDA</b>	\$ 9,568	\$ 11,991	\$ 5,963	\$ 3,764
<b>DILUTED EPS</b>	\$ 0.37	\$ 0.48	\$ 0.21	\$ 0.10





# Appendix V

## 1<sup>st</sup> Fiscal Quarter Condensed Consolidated Statements of Operations

(\$ thousands, unaudited)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Sales</b>	\$ 73,613	\$ 65,774	\$ 49,577	\$ 45,382
<b>Gross Profit</b>	23,851	20,313	14,404	11,652
	32.4%	30.9%	29.1%	25.7%
<b>MEA Expense</b>	14,694	13,652	10,147	9,509
	20.0%	20.8%	20.5%	21.0%
<b>Interest Expense</b>	744	643	316	219
<b>Misc. Exp/(Inc)</b>	<u>(5)</u>	<u>(80)</u>	<u>(54)</u>	<u>(44)</u>
<b>Pretax Earnings</b>	8,418	6,098	3,995	1,968
<b>Income Taxes</b>	3,237	2,377	1,466	866
<b>Minority Interest</b>	(75)	(49)	(43)	(25)
<b>Net Earnings</b>	<u>\$ 5,106</u>	<u>\$ 3,672</u>	<u>\$ 2,486</u>	<u>\$ 1,077</u>
<b>EBITDA</b>	\$ 10,842	\$ 8,136	\$ 5,585	\$ 3,399
<b>DILUTED EPS</b>	\$ 0.44	\$ 0.31	\$ 0.21	\$ 0.09



# Appendix VI

## Marketing, Engineering & Administrative Expenses (ME&A)

	<u>Qtr 2</u>	<u>1st Half</u>
<b>FY 2007 ME&amp;A Expenses</b>	<b>\$ 14,528</b>	<b>\$ 28,180</b>
<i>% of sales</i>	<i>19.6%</i>	<i>20.1%</i>
Significant Year-over-Year Variances:		
<i>Increase in Stock Based Comp Expense</i>	1,035	766
<i>Impact of Foreign Currency Translation</i>	723	1,078
<i>Increase in Corporate IT/ERP Implementation Expenses</i>	679	982
<i>Special Projects/Professional Services</i>	69	354
<i>Lower Domestic Pension Expenses</i>	(171)	(358)
<i>All Other (primarily inflationary increases in salaries &amp; wages)</i>	515	1,070
	<u>2,850</u>	<u>3,892</u>
<b>FY 2008 ME&amp;A Expenses</b>	<b>\$ 17,378</b>	<b>\$ 32,072</b>
<i>% of sales</i>	<i>21.2%</i>	<i>20.6%</i>



# Appendix VII

## Fiscal Year Condensed Consolidated Statements of Operations

(\$ thousands, per Form 10-K)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Sales</b>	<b>\$ 317,200</b>	<b>\$ 243,287</b>	<b>\$ 218,472</b>	<b>\$ 186,089</b>
<b>Gross Profit</b>	<b>102,909</b>	<b>74,390</b>	<b>57,420</b>	<b>48,285</b>
	<b>32.4%</b>	<b>30.6%</b>	<b>26.3%</b>	<b>25.9%</b>
<b>MEA Expense</b>	<b>63,267</b>	<b>49,606</b>	<b>44,666</b>	<b>37,168</b>
	<b>19.9%</b>	<b>20.4%</b>	<b>20.4%</b>	<b>20.0%</b>
<b>Restructuring</b>	<b>2,652</b>	<b>-</b>	<b>2,076</b>	<b>-</b>
<b>Interest Expense</b>	<b>3,154</b>	<b>1,718</b>	<b>1,134</b>	<b>1,078</b>
<b>Misc. Exp/(Inc)</b>	<b>(493)</b>	<b>14</b>	<b>52</b>	<b>(593)</b>
<b>Pretax Earnings</b>	<b>34,329</b>	<b>23,052</b>	<b>9,492</b>	<b>10,632</b>
<b>Income Taxes</b>	<b>12,273</b>	<b>8,470</b>	<b>2,485</b>	<b>4,964</b>
<b>Minority Interest</b>	<b>(204)</b>	<b>(129)</b>	<b>(97)</b>	<b>(25)</b>
<b>Net Earnings</b>	<b><u>\$ 21,852</u></b>	<b><u>\$ 14,453</u></b>	<b><u>\$ 6,910</u></b>	<b><u>\$ 5,643</u></b>
<b>EBITDA</b>	<b>\$ 44,531</b>	<b>\$ 30,507</b>	<b>\$ 16,206</b>	<b>\$ 17,377</b>
<b>DILUTED EPS</b>	<b>\$ 1.84</b>	<b>\$ 1.22</b>	<b>\$ 0.59</b>	<b>\$ 0.50</b>

# Appendix VIII

FY 2007 Financial Highlights — versus fiscal year 2006

- **Record Sales >> \$317 million**
  - 30% revenue growth; 17% after BCS
  - Strong demand from oilfield, military and marine markets
- **Gross margins remain >30% 32.4% (+180 bps)**
- **Net Earnings >> \$22 million (+51%)**
- **FY end Backlog >> \$110 million record**

# Appendix IX

## Impact of Significant Items — Fiscal Year 2007

	Diluted		Diluted	
	<u>Qtr 4</u>	<u>EPS Impact</u>	<u>Full Year</u>	<u>EPS Impact</u>
<b>FY 2007, as reported</b>	<b>\$ 5,001</b>	<b>\$ 0.42</b>	<b>\$ 21,852</b>	<b>\$ 1.84</b>
Significant Items (after-tax impact):				
<i>Intangible Asset Write-off</i>	366	\$ 0.03	366	\$ 0.03
<i>Restructuring</i>	1,751	\$ 0.15	1,751	\$ 0.15
<i>BCS Purchase Acctg Adj.</i>	-	\$ -	733	\$ 0.06
<i>R&amp;D Tax Project</i>	(877)	\$ (0.08)	(1,077)	\$ (0.09)
	<u>1,240</u>	<u>\$ 0.10</u>	<u>1,773</u>	<u>\$ 0.15</u>
<b>FY 2007, as adjusted</b>	<b>\$ 6,241</b>	<b>\$ 0.52</b>	<b>\$ 23,625</b>	<b>\$ 1.99</b>
Additional Items (after-tax impact):				
<i>Stock Based Comp Expense</i>	740	\$ 0.06	1,347	\$ 0.12