



Twin Disc, Incorporated



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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 2008 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), or by request from the Investor Relations department at the Company.



Twin Disc At A Glance



- ★ Manufacturing location (# of facilities in each location)
- Company owned distribution/service location
- Purchasing/sourcing offices

- Founded in 1918
- Headquartered in Racine, WI
- 1,000+ employees
- FY08 Revenues of \$332M
- We are a global company
 - Well-known customers around the world
 - Mfg Operations in the U.S., Italy, Belgium, Switzerland and Japan
 - World-wide distributor network
 - 61% of fiscal 2008 sales to international markets



Corporate Profile – Market Diversity

Pleasure Craft Market:

- **Target Markets:** High speed planing and displacement yachts from 50' to 150', diesel powered
- **Products:** Transmissions, Surface Drives, Propellers, Steering/Thruster/Trim Systems, Water Jets, Controls
- **Channels:** Engine OEMs & dealers, & boat builders
- **Customers:** CAT, CMD, MAN, MTU, Volvo / Azimuth, Baia, Ferretti, Palmer Johnson, Riviera, Sanlorenzo, Sunseeker
- **Competition:** ZF, Reintjes / Kamewa /Side Power, Ultraflex





Corporate Profile – Market Diversity

Work Boat Market:

- **Target Markets:** planing and displacement vessels from 30' to 250', diesel powered
- **Products:** Transmissions, Propellers, MCD's, Water Jets, Controls
- **Channels:** Engine OEMs & dealers, boat builders & distribution
- **Customers:** CAT, Cummins, IVECO, Mitsubishi, Volvo / Damen / Sewart Supply (operators: Secor, Tidewater)
- **Competition:** ZF, Reintjes / Kamewa, Hamilton





Corporate Profile – Market Diversity

Patrol Boat Market:

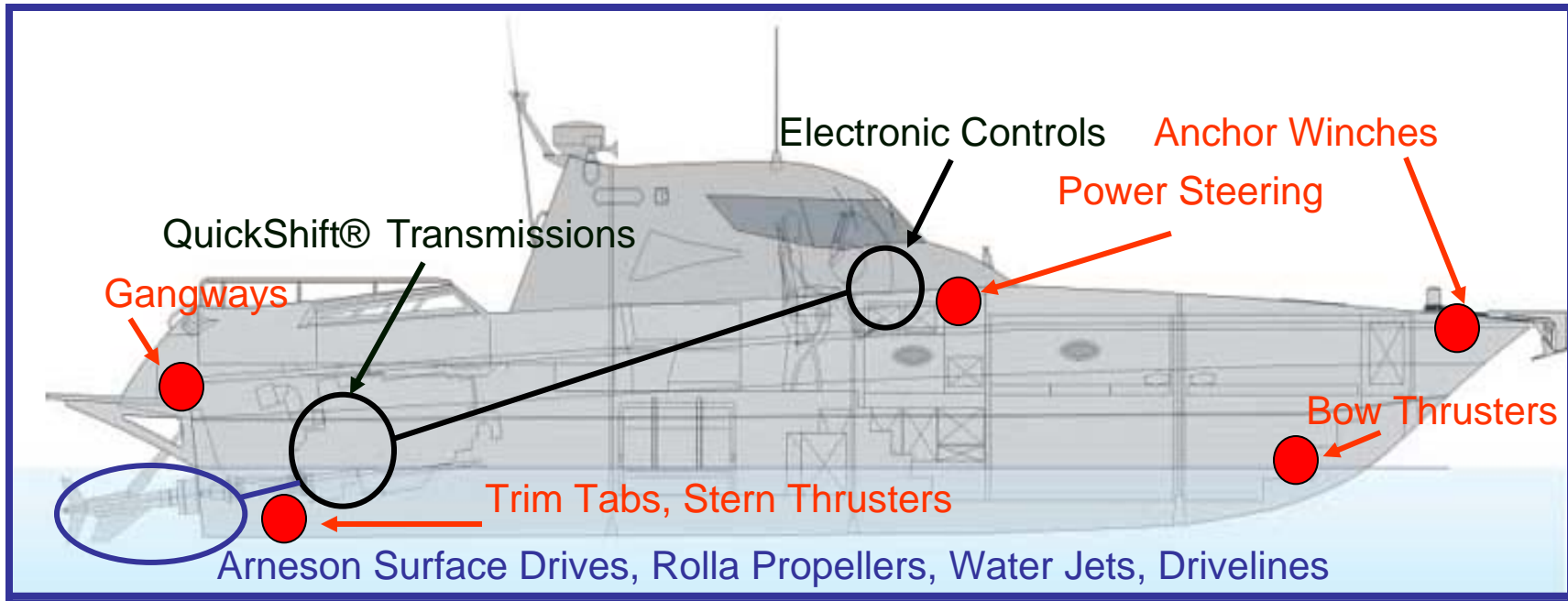
- *Target Markets:* military, patrol and coast guard vessels from 30' to 90', diesel powered
- *Products:* Transmissions, Surface Drives, Propellers, Steering/Thruster/Trim Systems, Water Jets, Controls
- *Channels:* Engine OEMs & dealers, & boat builders
- *Customers:* CAT, CMD, MAN, MTU, Volvo / Israeli Navy, Turkish Coast Guard, USCG, US Navy, RCMP
- *Competition:* ZF / Kamewa





Corporate Profile – Market Diversity

Marine Transmissions, Propulsion & Boat Management Systems





Corporate Profile – Market Diversity

Industrial Transmissions:

- *Target Market:* Off-highway and all-terrain specialty vehicles, diesel powered
- *Products:* Powertrain components - 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





Corporate Profile – Market Diversity

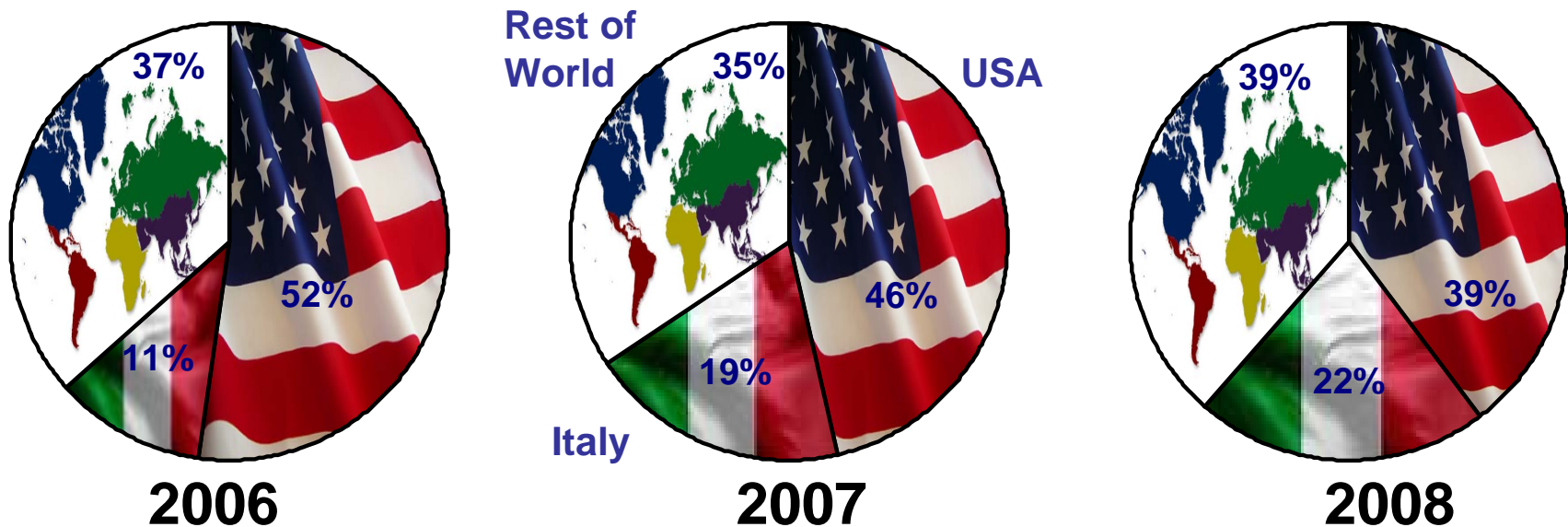
Industrial Products:

- *Target Market:* Heavy duty industrial disconnect applications
- *Products:* Mechanical & hydraulic 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





Corporate Profile – Geographic Diversity



48% International Sales  61% International Sales



What Differentiates Us?

- Technology
 - Land-Based
 - 8500 Series
 - “Pump & Roll”
 - “Legacy” Contracts
 - Electronic Control Systems
 - Marine
 - QuickShift®
 - Dynamic Positioning
 - Rolla CFD
 - Electronic/Hydraulic Boat Management Systems
- Global Distribution and Service Network
- Product/Market & Geographic Diversity
- Niche Market Focus
- 90 Years of Proven Application Know-How
- Core Manufacturing Capabilities



Managing Our Cost Structure

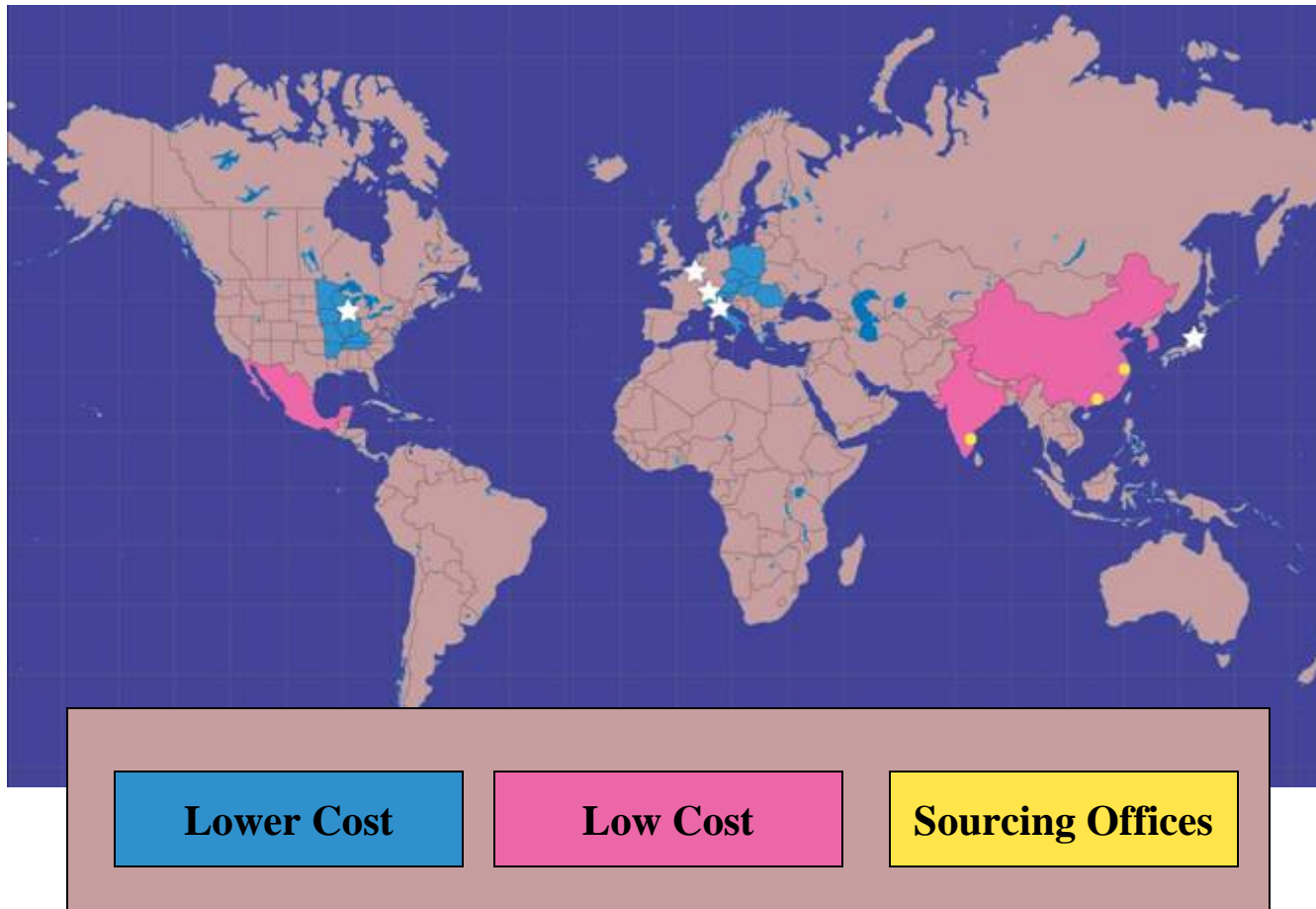
Investing in Core Competencies





Managing Our Cost Structure

Global Sourcing



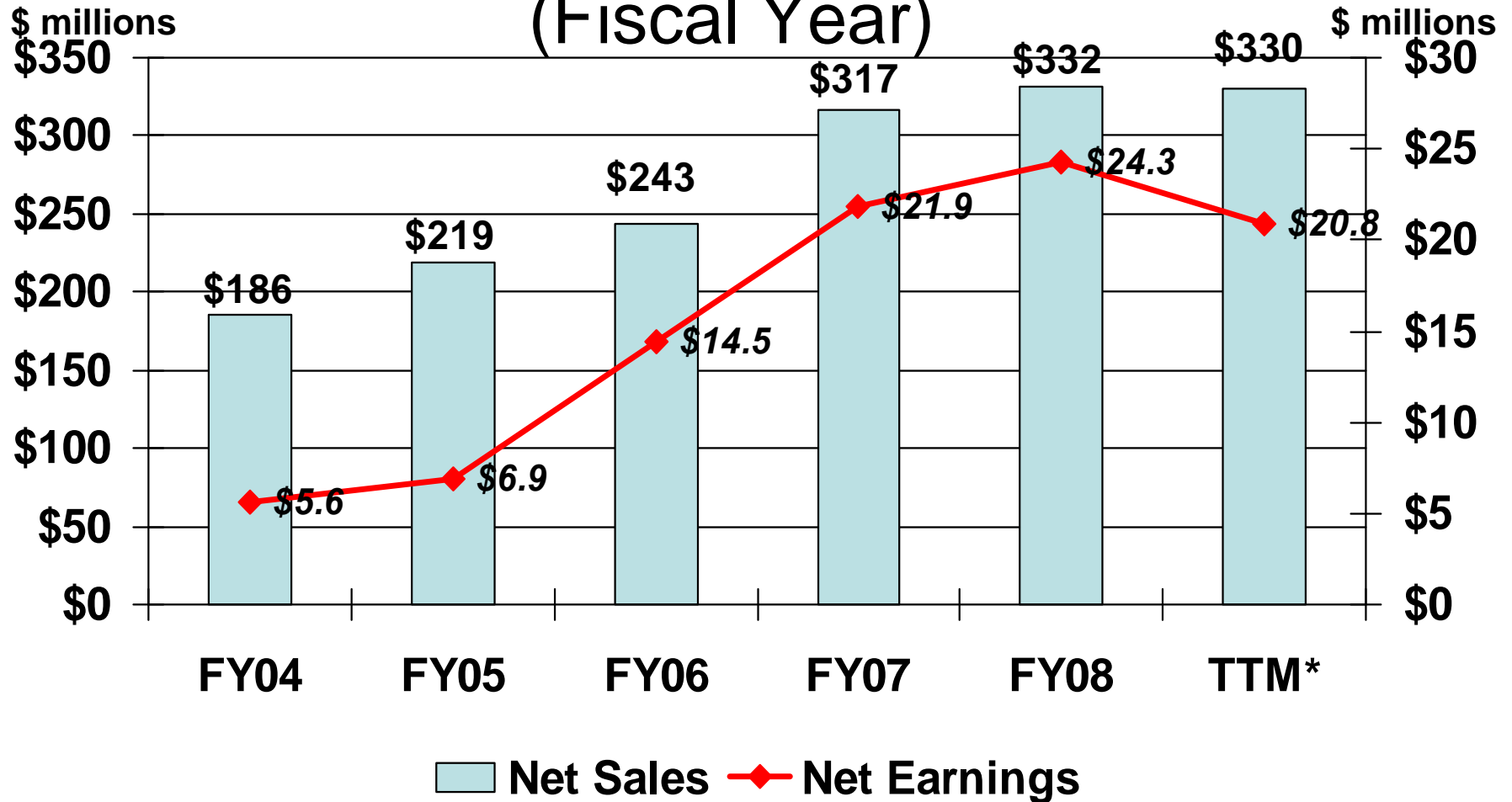


FY 2009 First Half Highlights

- **Major Markets Experience Varied Results**
 - Shipment and order weakness emerged for mega yachts during second quarter
 - Demand for oil and gas transmissions continued at soft levels
 - Increased shipments and demand for industrial products continued through the second fiscal quarter
 - Shipments of land based transmission products for the Airport Rescue and Fire Fighting (ARFF) and military markets were off slightly in the first half, although backlog remained strong
 - Commercial marine markets continued strong and improved versus year ago levels
- **Gross margins at 27.9%, down from 31.6% for FY 2008**
 - Impacted by unfavorable product mix, higher material costs and increased domestic pension expense
- **Diluted EPS of \$0.52, off record FY 2008 level of \$0.81**
- **Six Month Backlog at end of 2nd Fiscal Qtr >> \$106 million**



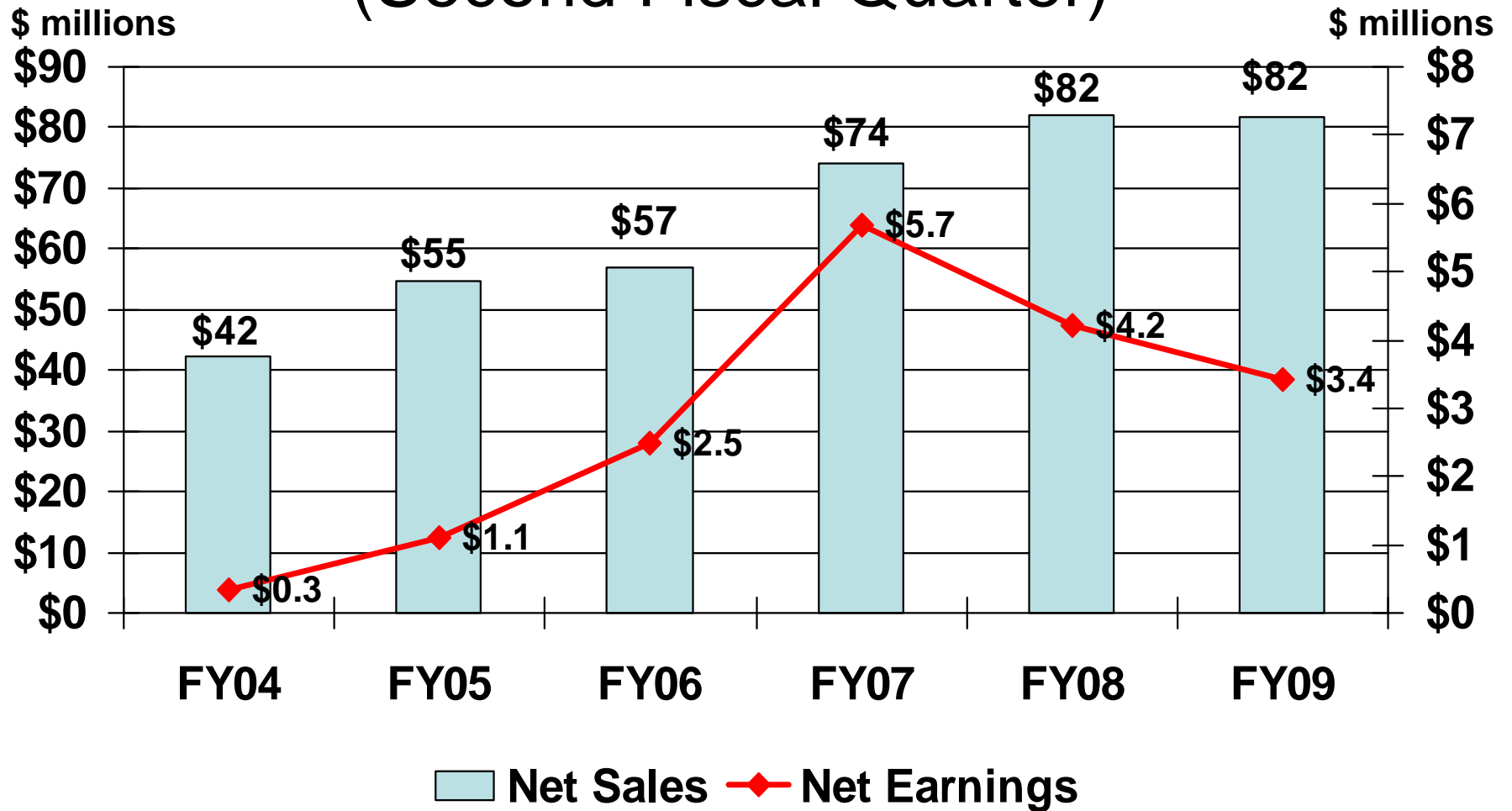
Net Sales & Net Earnings (Fiscal Year)



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

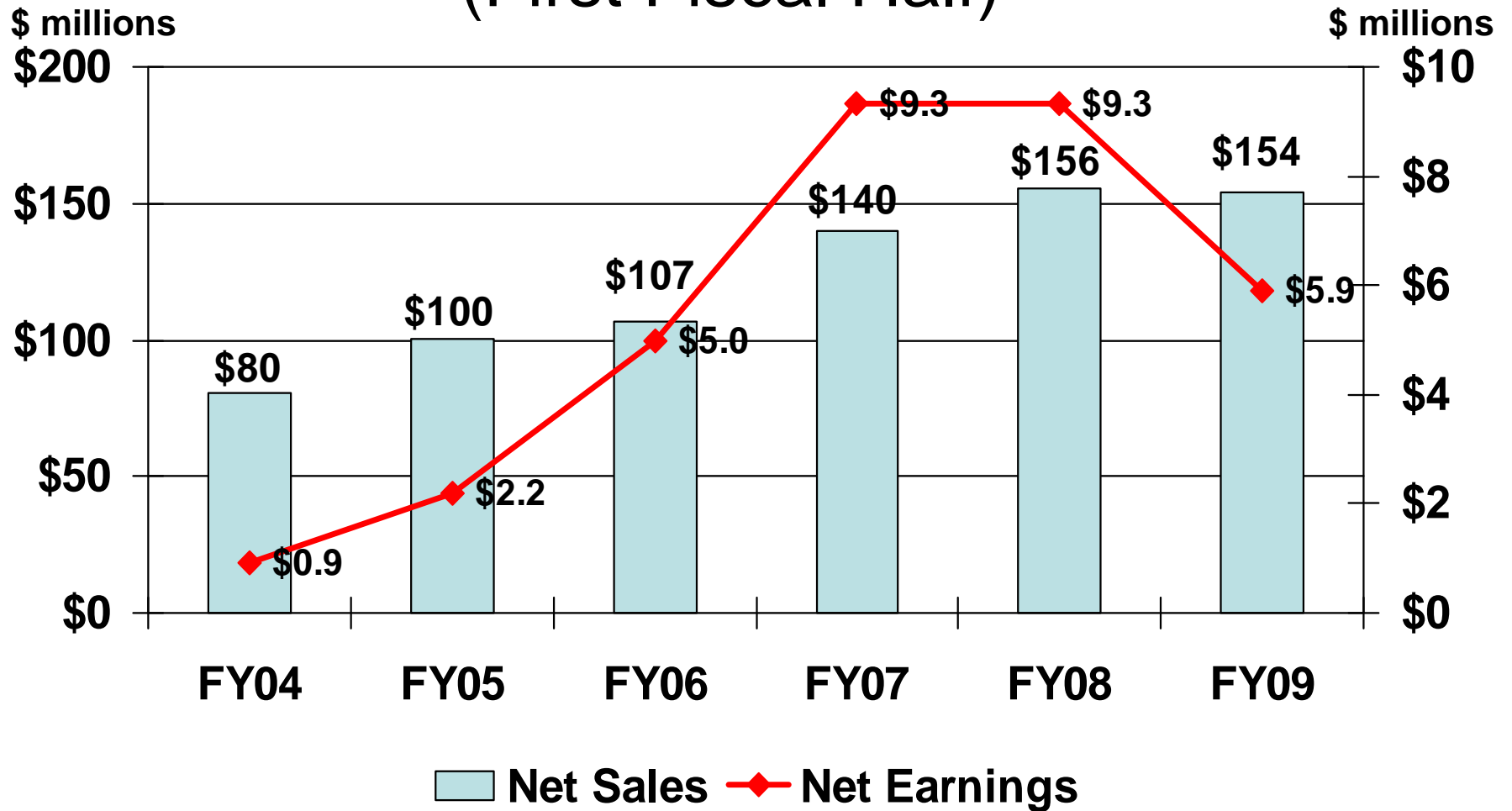


Net Sales & Net Earnings (Second Fiscal Quarter)



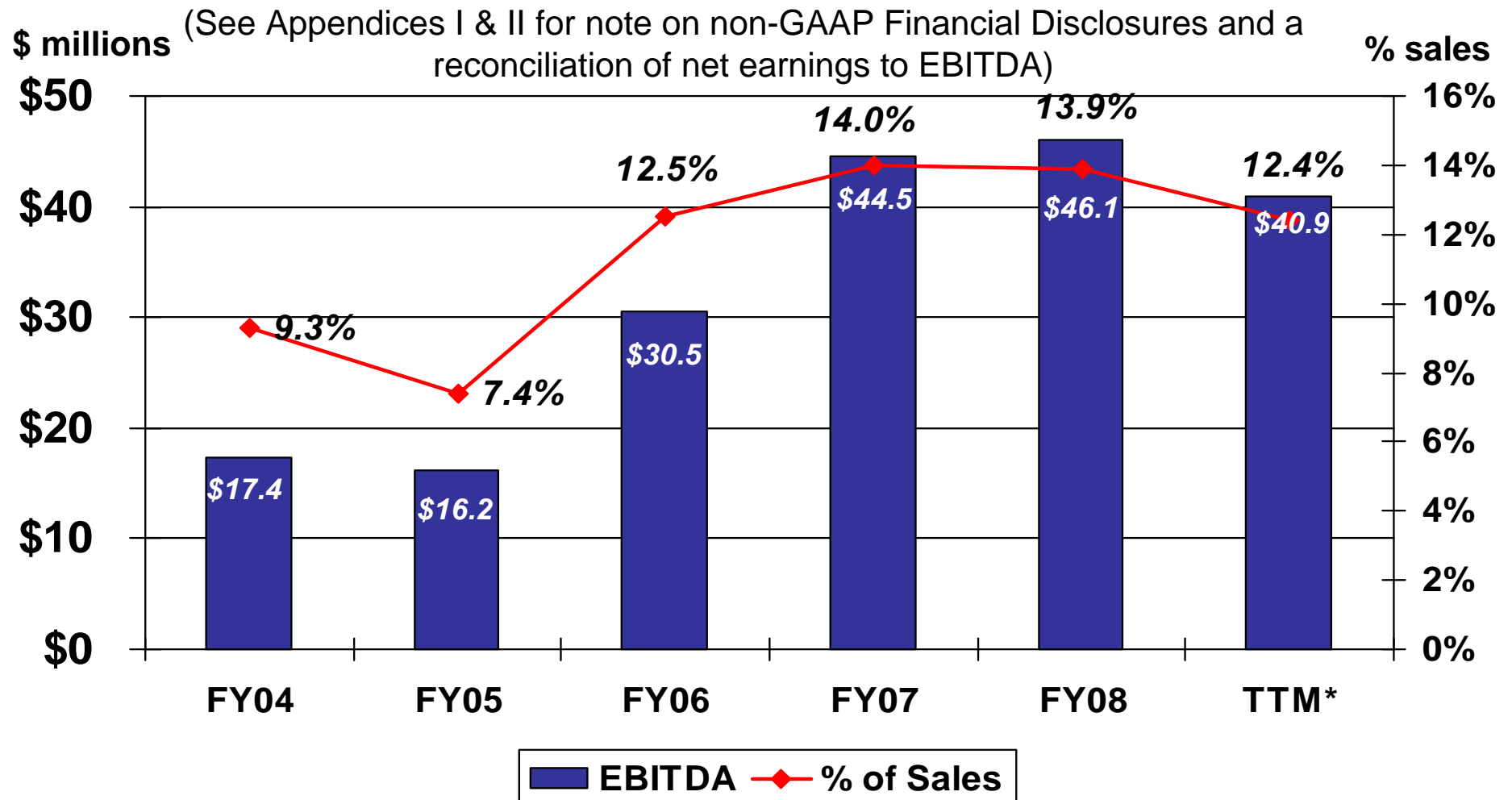


Net Sales & Net Earnings (First Fiscal Half)





EBITDA



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



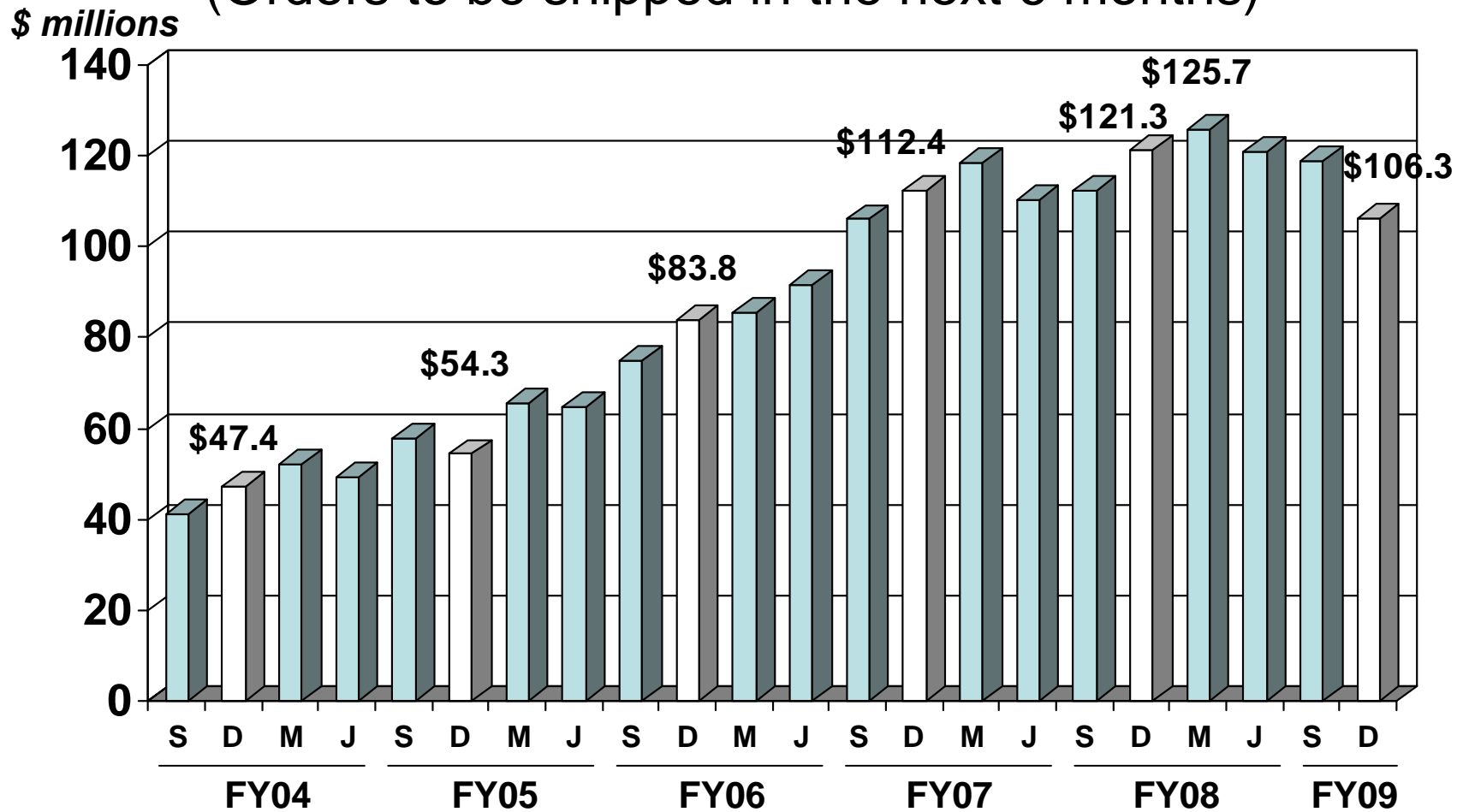
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Looking Ahead



Corporate Six Month Backlog

(Orders to be shipped in the next 6 months)





Fiscal Year 2009/10 Outlook

- Cautious outlook in face of global turmoil
- Certain key markets will experience weakness
 - Oil and gas and mega yacht markets softness expected to continue into next fiscal year
- Other key markets expected to remain stable
 - Commercial marine, military and airport firefighting and rescue markets will continue stable
- Continue to control global spending
 - Reduced FY 2009 CAPEX forecast to \$10-\$12 million, down from prior estimate of \$15-\$17 million



Fiscal Year 2009/10 Outlook

- Technology differentiation/new products
- Opportunity for operating leverage continues
 - Expanding global outsourcing
 - Investing in core competencies
- Active Acquisition Program
- Active stock buyback program (Board authorized repurchase of up to an additional 250,000 shares)



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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> | TTM | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| Net Earnings | \$ 20,836 | \$ 24,252 | \$ 21,852 | \$ 14,453 | \$ 6,910 | \$ 5,643 |
| Income Taxes | 8,214 | 10,904 | 12,273 | 8,470 | 2,485 | 4,964 |
| Interest Expense | 2,781 | 3,038 | 3,154 | 1,718 | 1,134 | 1,078 |
| Depreciation & Amortization | 9,075 | 7,881 | 7,252 | 5,866 | 5,677 | 5,692 |
| Earnings before interest, taxes, depreciation and amortization | \$ 40,906 | \$ 46,075 | \$ 44,531 | \$ 30,507 | \$ 16,206 | \$ 17,377 |
| Net Sales | \$ 330,456 | \$ 331,694 | \$ 317,200 | \$ 243,287 | \$ 218,472 | \$ 186,089 |
| EBITDA as a % of Sales | 12.4% | 13.9% | 14.0% | 12.5% | 7.4% | 9.3% |

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



Appendix III

Reconciliation of TTM Data to Reported Quarterly Figures

| | <u>Q1 08*</u> | <u>Q2 08*</u> | <u>Q3 08*</u> | <u>Q4 08*</u> | <u>FY 08</u> | <u>Q1 09*</u> | <u>Q2 09*</u> | <u>TTM</u> |
|----------------|---------------|---------------|---------------|---------------|--------------|---------------|---------------|------------|
| | | | (A) | (A) | | (A) | (A) | ∑ (A) |
| Sales | \$ 73,613 | \$ 81,894 | \$ 85,838 | \$ 90,349 | \$ 331,694 | \$ 72,671 | \$ 81,598 | \$ 330,456 |
| Gross Profit | 23,851 | 25,346 | 26,627 | 29,045 | 104,868 | 20,072 | 22,953 | 98,697 |
| Interest Exp | 744 | 825 | 757 | 713 | 3,038 | 597 | 714 | 2,781 |
| Net Earnings | 5,106 | 4,209 | 7,929 | 7,009 | 24,252 | 2,465 | 3,433 | 20,836 |
| EPS, Diluted | \$ 0.44 | \$ 0.37 | \$ 0.70 | \$ 0.62 | \$ 2.13 | \$ 0.22 | \$ 0.30 | \$ 1.84 |
| EPS, Basic | \$ 0.44 | \$ 0.37 | \$ 0.71 | \$ 0.63 | \$ 2.15 | \$ 0.22 | \$ 0.31 | \$ 1.87 |
| CAPEX | 2,502 | 4,318 | 3,785 | 4,394 | 14,999 | 1,679 | 2,972 | 12,830 |
| Deprec. | 1,755 | 1,805 | 1,866 | 2,455 | 7,881 | 2,399 | 2,355 | 9,075 |
| Oper Cash Flow | 5,142 | 6,207 | (197) | 8,893 | 20,045 | (1,292) | 4,023 | 11,427 |
| Dividends | 653 | 784 | 783 | 780 | 3,000 | 789 | 789 | 3,141 |
| Pretax Income | 8,418 | 6,964 | 10,707 | 9,159 | 35,248 | 3,977 | 5,423 | 29,266 |
| Taxes | 3,237 | 2,729 | 2,719 | 2,218 | 10,904 | 1,353 | 1,924 | 8,214 |

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



Appendix IV

Fiscal Year Condensed Consolidated Statements of Operations

| (\$ thousands, per Form 10-K) | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|-------------------------------|------------------|------------------|------------------|-----------------|-----------------|
| Sales | \$ 331,694 | \$ 317,200 | \$ 243,287 | \$ 218,472 | \$ 186,089 |
| Gross Profit | 104,868 | 102,909 | 74,390 | 57,420 | 48,285 |
| | 31.6% | 32.4% | 30.6% | 26.3% | 25.9% |
| MEA Expense | 66,349 | 63,267 | 49,606 | 44,666 | 37,168 |
| | 20.0% | 19.9% | 20.4% | 20.4% | 20.0% |
| Restructuring | (373) | 2,652 | - | 2,076 | - |
| Interest Expense | 3,038 | 3,154 | 1,718 | 1,134 | 1,078 |
| Misc. Exp/(Inc) | 606 | (493) | 14 | 52 | (593) |
| Pretax Earnings | 35,248 | 34,329 | 23,052 | 9,492 | 10,632 |
| Income Taxes | 10,904 | 12,273 | 8,470 | 2,485 | 4,964 |
| Minority Interest | (92) | (204) | (129) | (97) | (25) |
| Net Earnings | <u>\$ 24,252</u> | <u>\$ 21,852</u> | <u>\$ 14,453</u> | <u>\$ 6,910</u> | <u>\$ 5,643</u> |
| EBITDA | \$ 46,075 | \$ 44,531 | \$ 30,507 | \$ 16,206 | \$ 17,377 |
| DILUTED EPS | \$ 2.13 | \$ 1.84 | \$ 1.22 | \$ 0.59 | \$ 0.50 |



Appendix VI

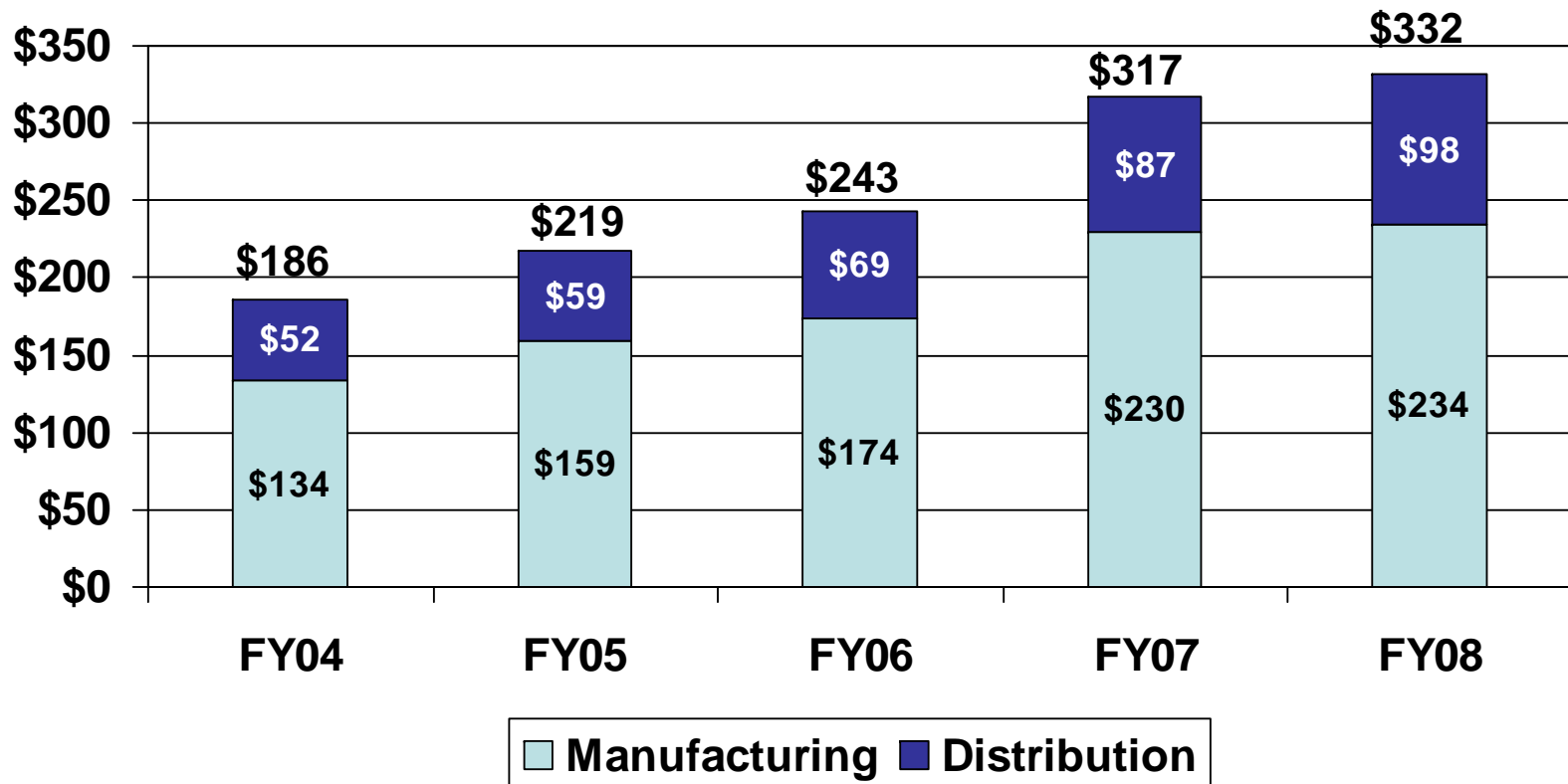
2nd Fiscal Quarter Condensed Consolidated Statements of Operations

| (\$ thousands, unaudited) | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Sales | \$ 81,598 | \$ 81,894 | \$ 74,239 | \$ 57,051 | \$ 54,731 |
| Gross Profit | 22,953 28.1% | 25,346 30.9% | 24,389 32.9% | 16,023 28.1% | 13,938 25.5% |
| MEA Expense | 17,008 20.8% | 17,378 21.2% | 14,528 19.6% | 11,489 20.1% | 11,261 20.6% |
| Interest Expense | 714 | 825 | 824 | 399 | 291 |
| Misc. Exp/(Inc) | <u>(192)</u> | <u>179</u> | <u>(248)</u> | <u>(47)</u> | <u>185</u> |
| Pretax Earnings | 5,423 | 6,964 | 9,285 | 4,182 | 2,201 |
| Income Taxes | 1,924 | 2,729 | 3,573 | 1,671 | 1,045 |
| Minority Interest | (66) | (26) | (42) | (22) | (43) |
| Net Earnings | <u>\$ 3,433</u> | <u>\$ 4,209</u> | <u>\$ 5,670</u> | <u>\$ 2,489</u> | <u>\$ 1,113</u> |
| EBITDA | \$ 8,426 | \$ 9,568 | \$ 11,991 | \$ 5,963 | \$ 3,764 |
| DILUTED EPS | \$ 0.31 | \$ 0.37 | \$ 0.48 | \$ 0.21 | \$ 0.10 |



Appendix VI

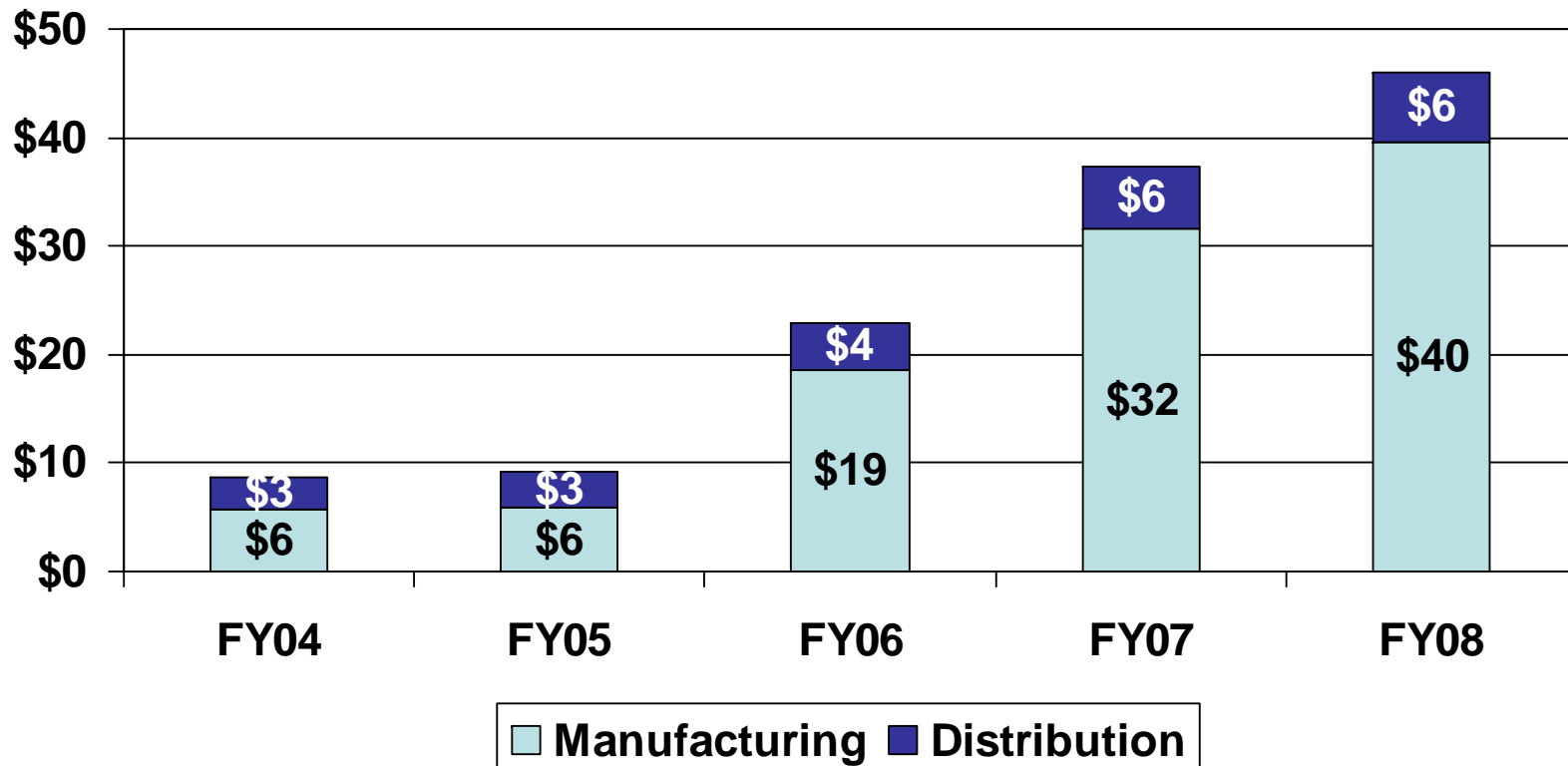
Net Sales by Segment





Appendix VII

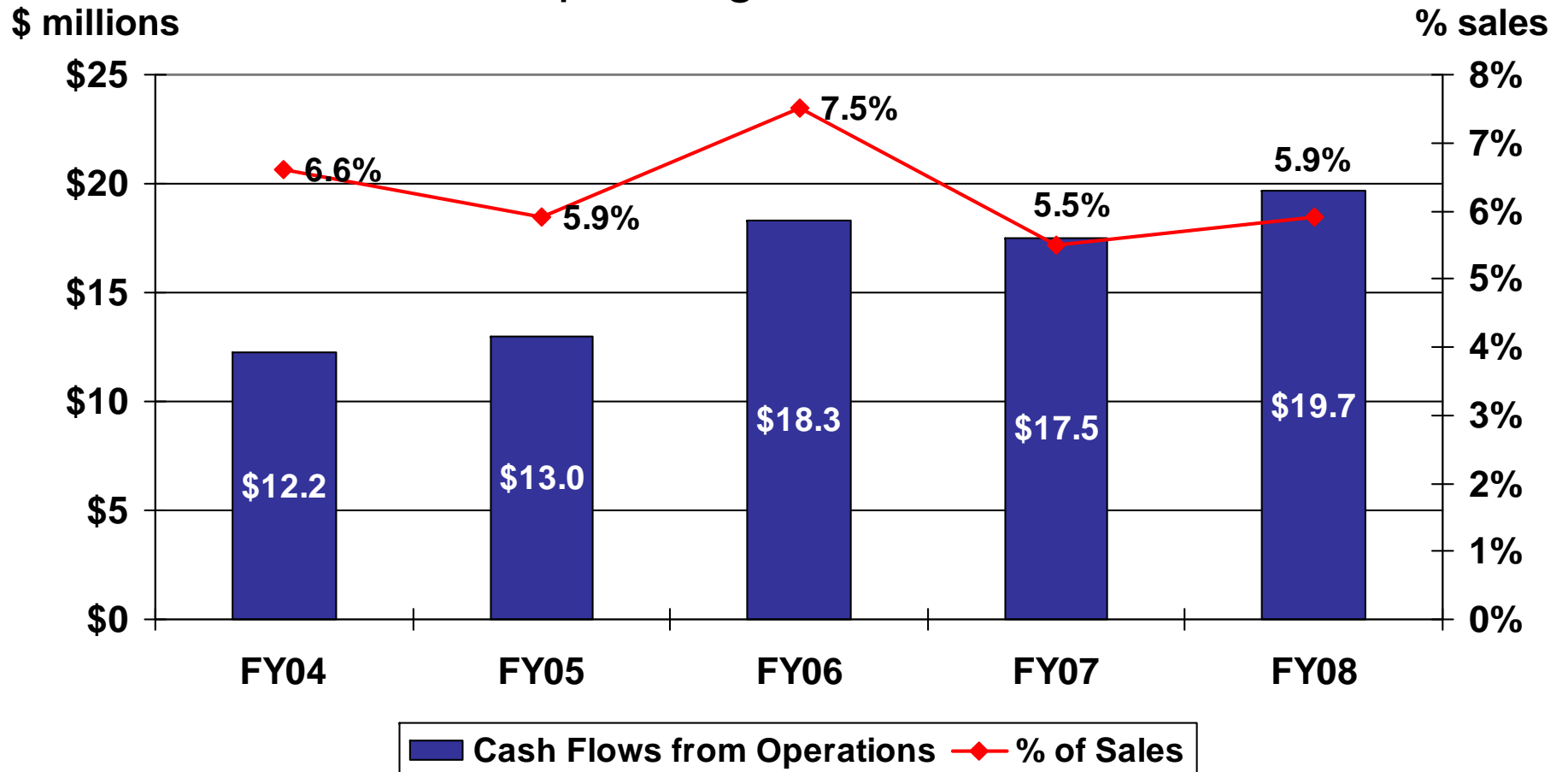
Net Earnings by Segment (before Corporate Expense)





Appendix VIII

Operating Cash Flows





Twin Disc, Incorporated



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