



## **NEWS RELEASE**

**Corporate Offices:  
1328 Racine Street  
Racine, WI 53403**

### **FOR IMMEDIATE RELEASE**

Contact: Christopher J. Eperjesy  
(262) 638-4343

### **TWIN DISC, INC., ANNOUNCES HIGHER FISCAL 2006 SECOND-QUARTER FINANCIAL RESULTS**

- **Second-Quarter Diluted EPS Up 121.1%**
- **First-Half Diluted EPS Up 123.7%**
- **Backlog Up Significantly**
- **Management Confident About 2006**

RACINE, WISCONSIN—January 24, 2006—**Twin Disc, Inc. (NASDAQ: TWIN)**, today reported financial results for the fiscal 2006 second quarter and first half ended December 31, 2005.

Sales for the quarter ended December 31, 2005, improved 4.2 percent to \$57,051,000 from \$54,731,000 in the same period a year ago. Year to date, sales increased 6.5 percent to \$106,628,000 from \$100,113,000 in the fiscal 2005 first half. Sales continue to benefit from strong demand across all the markets the Company serves, especially from its oilfield, military, and commercial marine customers.

Gross margin as a percentage of sales increased 2.6 percentage points to 28.1 percent from 25.5 percent in last year's comparable period. For the fiscal 2006 first half, gross margin as a percentage of sales increased 2.9 percentage points to 28.5 percent from 25.6 percent in the same period last year. The increase in gross margins is a result of a shift in product mix to higher margin items, selective price increases, improved absorption due to higher volume at the Company's domestic manufacturing operation, and previously announced cost reduction programs.

Net earnings for the second quarter increased 123.6 percent, or \$1,376,000, to \$2,489,000, or \$0.84 per diluted share, compared with \$1,113,000, or \$0.38 per diluted share, for the fiscal 2005 second quarter. For the fiscal 2006 first half, net earnings increased 127.1 percent to \$4,974,000, or \$1.70 per diluted share, compared with \$2,190,000, or \$0.76 per diluted share, in the fiscal 2005 first half.

Commenting on the results, Michael E. Batten, Chairman and Chief Executive Officer, said, "Fiscal 2006 is turning out to be one of the best years in the Company's 87 year history. We are extremely pleased with the positive momentum as this was the best second quarter of sales since 1982, and the best second quarter for net earnings since 1989. With our trailing twelve-month sales and earnings now at \$224,987,000 and \$3.31 per diluted share, respectively, we are confident about the financial outlook for fiscal 2006. We are encouraged with our financial growth and are seeking acquisitions to further expand our internal businesses."

more...

Christopher J. Eperjesy, Vice President, Chief Financial Officer and Secretary, stated, "The Company's balance sheet remains firm. At the end of the second quarter, working capital increased 27.5 percent to \$55,608,000. Our accounts receivable and accounts payable decreased 10.9 percent and 17.7 percent, respectively. With our six-month backlog up 40.0 percent since June 30, 2005, our inventories were up only 13.0 percent. Further, over the past five years, over half of our sales and significantly more than half of our income came in the second half of the year. Shareholders' equity now stands at \$69,879,000, an increase of 4.5 percent from \$66,899,000 at June 30, 2005."

Mr. Batten concluded, "Our backlog of orders to be shipped over the next six months is approximately \$87,000,000, up over 60.0 percent compared with the same period a year ago. Based on our expanding backlog, strong margins, business mix and favorable industry dynamics, Twin Disc is well positioned to continue to expand sales and earnings throughout the year."

Twin Disc designs, manufactures and sells heavy-duty off-highway power transmission equipment. Products offered include: marine transmissions, surface drives and propellers; power-shift transmissions; power take-offs and reduction gears; industrial clutches; and control systems. The Company sells its products to customers primarily in the marine, industrial equipment, government, energy and natural resources, and agricultural markets.

This press release may contain statements that are forward looking as defined by the Securities and Exchange Commission in its rules, regulations and releases. The Company intends that such forward-looking statements be subject to the safe harbors created thereby. All forward-looking statements are based on current expectations regarding important risk factors including those identified in the Company's most recent periodic report and other filings with the Securities and Exchange Commission. Accordingly, actual results may differ materially from those expressed in the forward-looking statements, and the making of such statements should not be regarded as a representation by the Company or any other person that the results expressed therein will be achieved.

*--Financial Results Follow--*

Twin Disc, Inc

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(In thousands, except per-share data; unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Net sales	\$57,051	\$54,731	\$106,628	\$100,113
Cost of goods sold	<u>41,028</u>	<u>40,793</u>	<u>76,201</u>	<u>74,523</u>
Gross profit	16,023	13,938	30,427	25,590
Marketing, engineering and administrative expenses	11,489	11,261	21,637	20,770
Interest expense	399	291	715	510
Other expense (Income), net	<u>(47)</u>	<u>185</u>	<u>(101)</u>	<u>141</u>
Earnings before income taxes and minority interest	4,182	2,201	8,176	4,169
Income taxes	1,671	1,045	3,137	1,911
Minority interest	<u>22</u>	<u>43</u>	<u>65</u>	<u>68</u>
Net earnings	<u>\$ 2,489</u>	<u>\$ 1,113</u>	<u>\$ 4,974</u>	<u>\$ 2,190</u>
Earnings per share:				
Basic	\$ 0.86	\$ 0.39	\$ 1.73	\$ 0.77
Diluted	\$ 0.84	\$ 0.38	\$ 1.70	\$ 0.76
Average shares outstanding:				
Basic	2,888	2,859	2,877	2,848
Diluted	2,950	2,907	2,934	2,895
Dividends per share	\$ 0.175	\$ 0.175	\$ 0.35	\$ 0.35

####

**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except per-share data; unaudited)

	December 31, <u>2005</u>	June 30, <u>2005</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$11,493	\$11,614
Trade accounts receivable, net	33,623	37,751
Inventories, net	54,778	48,481
Deferred income taxes	6,944	5,514
Other	<u>2,437</u>	<u>3,423</u>
Total current assets	109,275	106,783
Property, plant and equipment, net	38,771	40,331
Goodwill	12,591	12,854
Deferred income taxes	14,680	16,230
Other assets	<u>9,026</u>	<u>9,097</u>
	<u>\$184,343</u>	<u>\$185,295</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Notes payable	\$831	\$3,522
Current maturities on long-term debt	2,854	2,849
Accounts payable	17,897	21,746
Accrued liabilities	<u>32,085</u>	<u>35,050</u>
Total current liabilities	53,667	63,167
Long-term debt	21,631	14,958
Accrued retirement benefits	<u>38,639</u>	<u>39,680</u>
	113,937	117,805
Minority interest	527	591
Shareholders' equity:		
Common stock	11,653	11,653
Retained earnings	93,277	89,316
Unearned Compensation	(135)	(203)
Accumulated other comprehensive loss	<u>(19,478)</u>	<u>(17,567)</u>
	85,317	83,199
Less treasury stock, at cost	<u>15,438</u>	<u>16,300</u>
Total shareholders' equity	<u>69,879</u>	<u>66,899</u>
	<u>\$184,343</u>	<u>\$185,295</u>

####