



November 7, 2012



Twin Disc, Incorporated

# 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 2012 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, Incorporated

# Twin Disc At A Glance



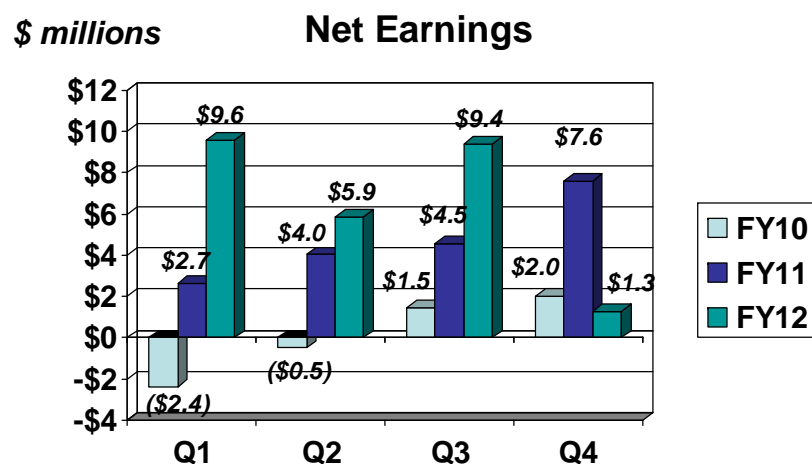
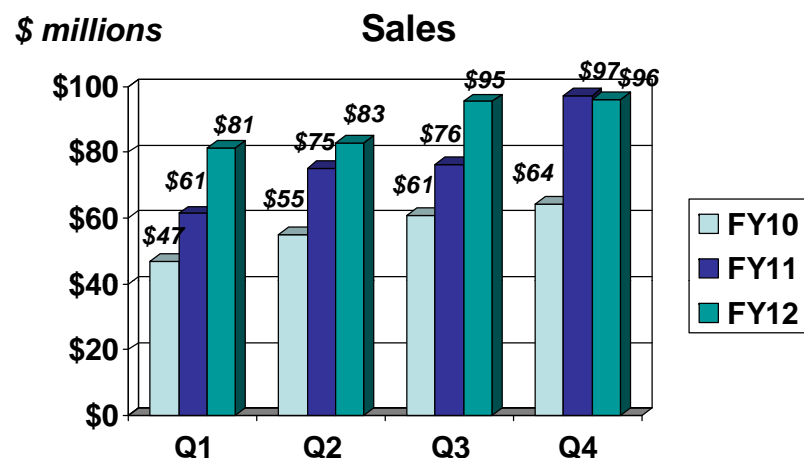
- ★ # Manufacturing location (# of facilities in each location)
- Company owned distribution/service location
- Purchasing/sourcing offices

- Founded in 1918
- Headquartered in Racine, WI
- ≈1,030 employees (FYE '12)
- FY12 Revenues of \$356M  
FY11 Revenues of \$310M  
FY10 Revenues of \$228M
- We are a global company
  - Well-known customers around the world
  - Mfg Operations in the U.S., Italy, Belgium, Switzerland and Japan (JV)
  - World-wide distributor network
  - Global: 53% of fiscal 2012 sales to international markets



# FY 2012 Highlights

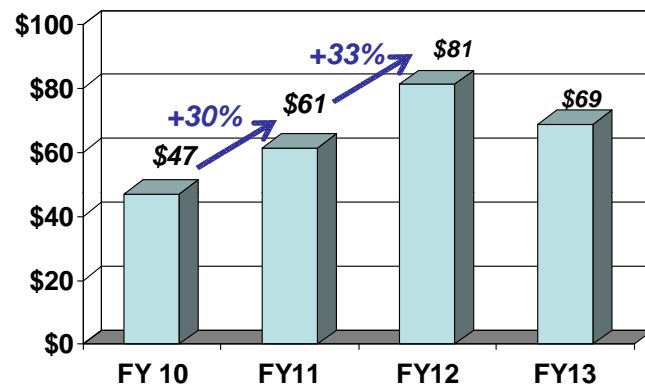
- Quarterly sequential sales & earnings improvement
  - Sales up over 15% vs. FY '11
  - Earnings up nearly 40% to record \$2.26 per diluted share
- Key Markets
  - Oil & gas markets experienced strong growth in shipments compared to FY '11
  - Sales in the Pacific Rim continued strong, at near record levels, Asia became 2<sup>nd</sup> largest market after N. America
  - Modest recovery in Mega Yacht and European markets off of fiscal '10 lows
  - Patrol boat business continued to expand
  - ARFF, Military & Commercial Marine were steady





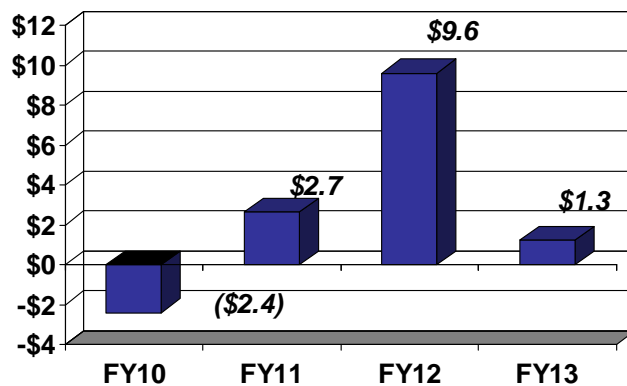
# Net Sales & Net Earnings (1<sup>st</sup> Fiscal Quarter)

\$ millions



■ Sales

\$ millions

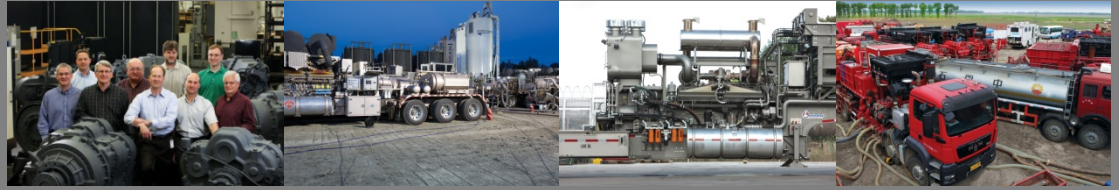


■ Net Earnings

- Sales down 15.4% from record Q1 '12
  - Pressure pumping transmission business continued to slow down
  - Commercial marine business experienced strong demand in North America (Gulf Coast) & Asia (particularly in China)
- \$1.3 million profit, or \$0.11 per diluted share, down from all-time quarterly record of Q1 '12
  - Unfavorable mix of business and volume declines impacted margins & overall profitability in Q1, typically the Company's weakest quarter



Twin Disc, Incorporated

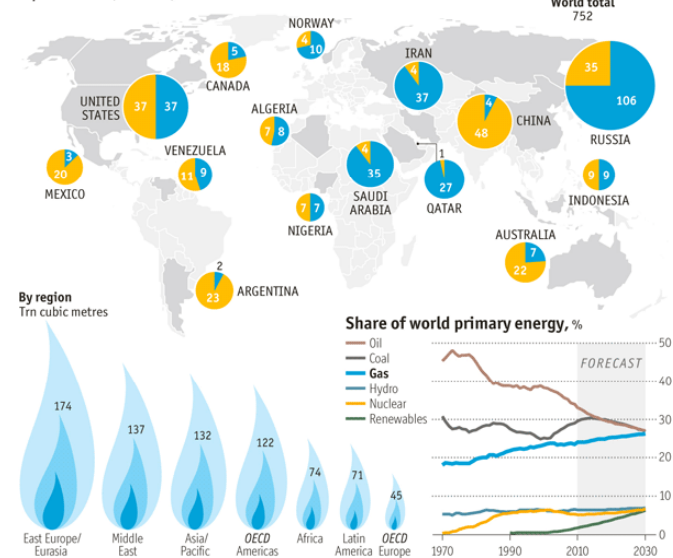


# Land-Based Products

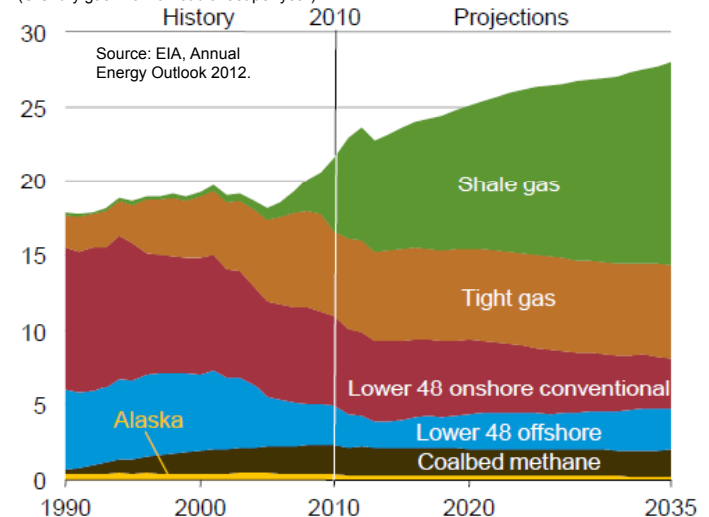
## Pressure Pumping

- *Fiscal 2012 Highlights:*
  - Achieved record unit sales
  - Introduced 7500 series transmission into the market
  - Backlog declined as order activity dropped throughout the 2<sup>nd</sup> half of fiscal year
- *Fiscal 2013 Outlook:*
  - Expect slow orders and shipments thru at least 3<sup>rd</sup> fiscal quarter
  - Operators will continue to adjust to supply overhang and lower prices
- *Fiscal 2014 & Beyond:*
  - Unconventional drilling to grow significantly
  - International opportunities to expand
  - 7500 acceptance to continue
  - Company continues to be well positioned for growth

Remaining recoverable natural-gas resources  
Top 15 countries, end 2011, trn cubic metres



(U.S. dry gas in trillion cubic feet per year)



November 7, 2012





Twin Disc, Incorporated



# Land-Based Products

## ***ARFF & Military***

- *Fiscal 2012 Highlights:*
  - ARRF and military transmission sales continued to show modest, steady growth
- *Fiscal 2013 Outlook:*
  - Developing next generation transmission system
  - Market to remain stable, with potential for modest growth
- *Fiscal 2014 & Beyond:*
  - Expect to see continued steady demand for both ARRF and military transmissions over the long run





Twin Disc, Incorporated



# Land-Based Products

## *Industrial Products*

- *Fiscal 2012 Highlights:*

- Shipments and orders up in N. America, and more moderately in Europe
- Aggregate, recycling, construction and oil & gas markets recovered from post recession levels

- *Fiscal 2013 Outlook:*

- Market expected to remain steady thru fiscal 2013
- Developing remote controlled dry PTO's and upgrading hydraulic PTO product line
- Expanding pump drives into higher HP
- Focus on expansion into BRIC

- *Fiscal 2014 & Beyond:*

- Expect international markets to drive long-term growth strategy
- Continue product differentiation and technological innovation to meet market demands







Twin Disc, Incorporated



# Marine & Propulsion Systems

## *Commercial Marine*

- *Fiscal 2012 Highlights:*

- N. American (particularly Gulf Coast) market experienced strong year-over-year gains
- Asia continued near record levels
- European shipbuilding remained at weak levels

- *Fiscal 2013 Outlook:*

- N. American and Asian markets expected to continue to grow
- European market remains uncertain, likely to take 2-3 years to recover

- *Fiscal 2014 & Beyond:*

- Continue expansion into South America (particularly Brazil) and Asia
- New product development, including joystick for commercial applications





Twin Disc, Incorporated



# Marine & Propulsion Systems

## ***Patrol Boat***

- ***Fiscal 2012 Highlights:***

- Growth continued in Asia, especially China, as need for coastal security increased
- Twin Disc propulsion package recognized as the standard for fast patrol boat technology

- ***Fiscal 2013 Outlook:***

- Demand remains strong, but unpredictable due to delays in build schedules

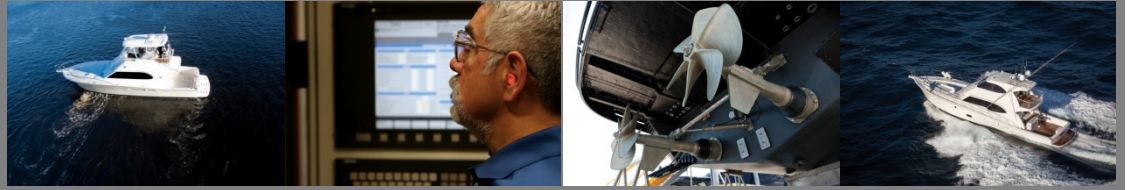
- ***Fiscal 2014 & Beyond:***

- Expect demand for coastal security applications to further grow





Twin Disc, Incorporated



# Marine & Propulsion Systems

## *Pleasure Craft*

- *Fiscal 2012 Highlights:*

- Market remained at historic lows  
(down 50-70% versus prior highs)
- EJS™ introduced, gained market share
- Announced Caterpillar agreements

- *Fiscal 2013 Outlook:*

- New boat construction to remain at depressed levels
- Continue to focus on global packaging strategy to gain market share
- Cat® Three60 available to the market

- *Fiscal 2014 & Beyond:*

- Likely 5+ years before market fully recovers to pre-recession levels
- Continue to emphasize product development and technological differentiation in our products to further market share gains





# Corporate Profile – Geographic Diversity

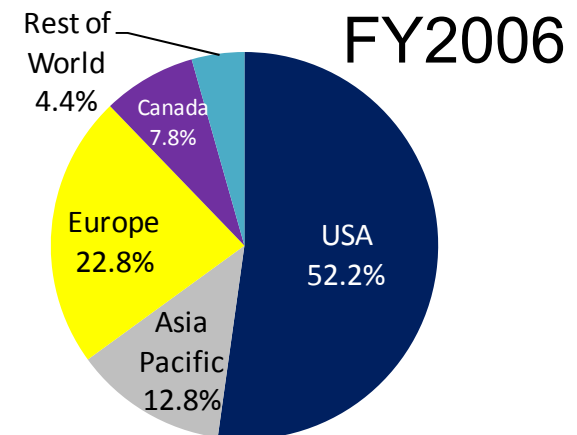
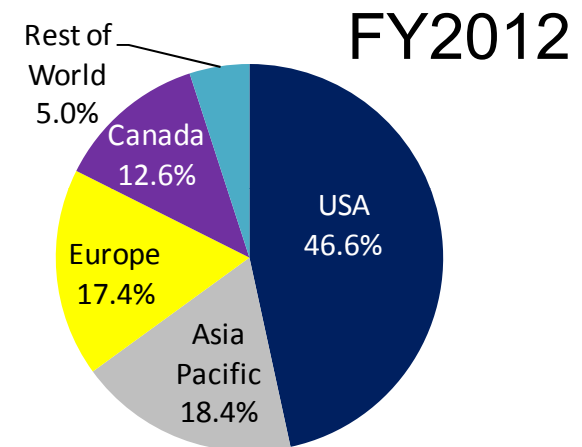
## *Sales (as a % of total sales)*

- *Highlights:*

- More than 50% of sales were outside the USA in fiscal 2012
- Asia surpassed Europe as 2<sup>nd</sup> largest end market (achieving record sales)
- Sales to China more than doubled year-over-year
- Overall CAGR from 2006 to 2012 = 7% (Asia = 13%)

- *Outlook:*

- Continue to focus on BRIC as largest growth opportunity
- Sourcing, sales and engineering resources already on the ground in India & China, with plans to expand the Company's capabilities in those regions







Twin Disc, Incorporated

# Managing Our Cost Structure

## CAPEX

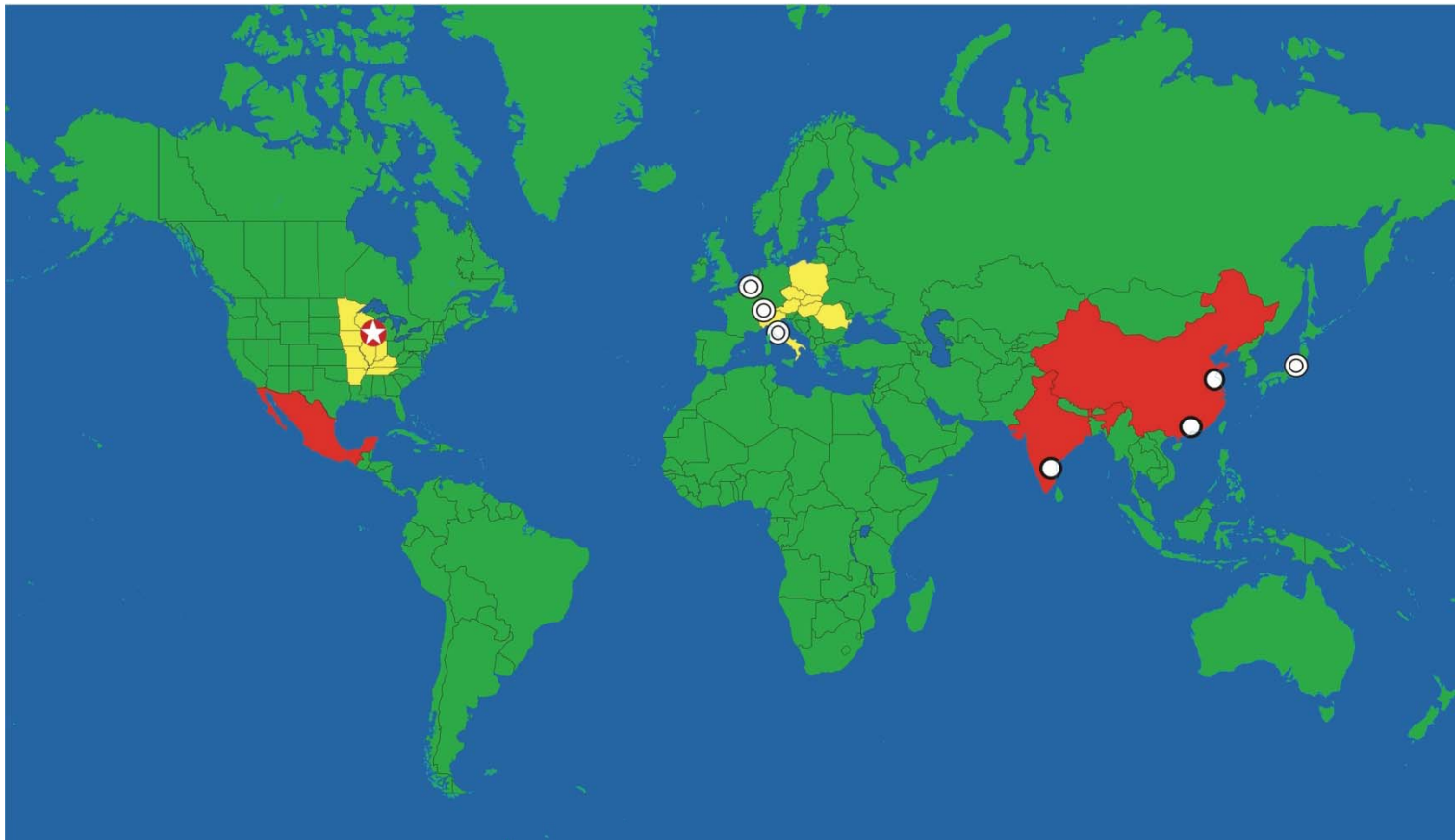
- Investing in core competencies
- Expanding presence in low cost manufacturing locations
- Spent \$90+ million over past 8 yrs





Twin Disc, Incorporated

# Managing Our Cost Structure



**Low Cost**

**Lower Cost**

○ Sourcing Offices

★ Corporate HQ/Mfg

⊙ Mfg locations

November 7, 2012



Twin Disc, Incorporated

# What Differentiates Us?

- Technology

- Oil & Gas

- 8500 Series
    - 7500 Series



- ARFF

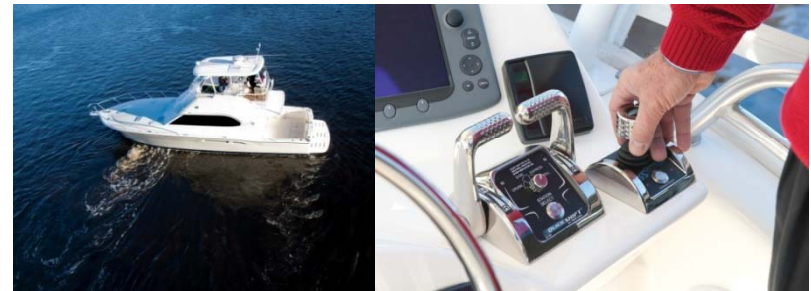
- “Pump & Roll”

- Military

- “Legacy” Contracts

- Marine

- Patented QuickShift®
    - Express Joystick System®



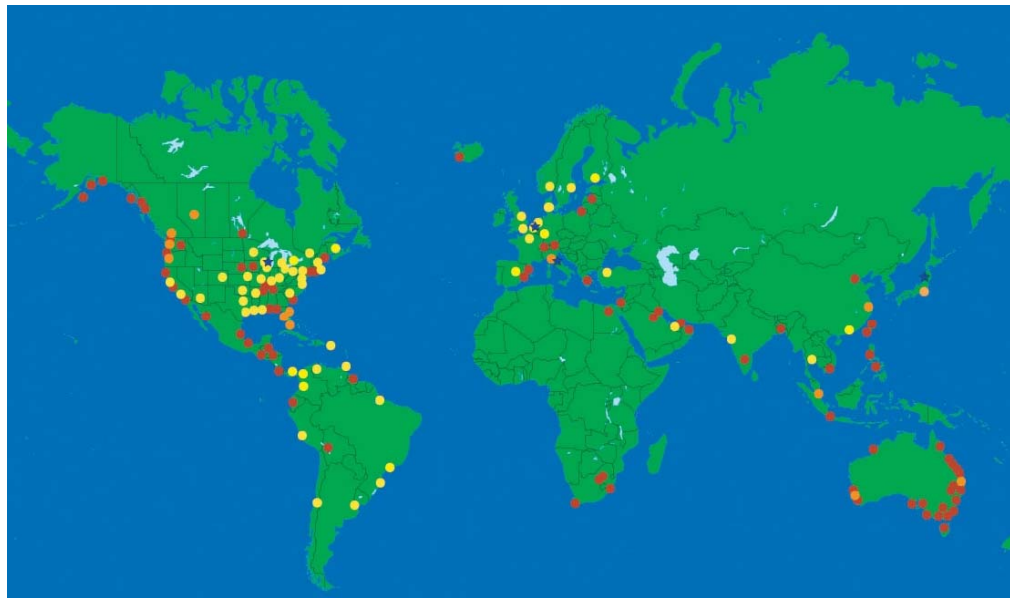
- Dynamic Positioning/DPII
    - Rolla CFD



Twin Disc, Incorporated

# What Differentiates Us?

- 94+ Years of Proven Application Know-How
- Niche Market Focus



- ★ Mfg location
- Co.-owned dist.
- 3rd Party dist.
- Service dealers

- Global Distribution and Service Network
- Product/Market & Geographic Diversity
- Core Manufacturing Capabilities





Twin Disc, Incorporated

# Looking Ahead

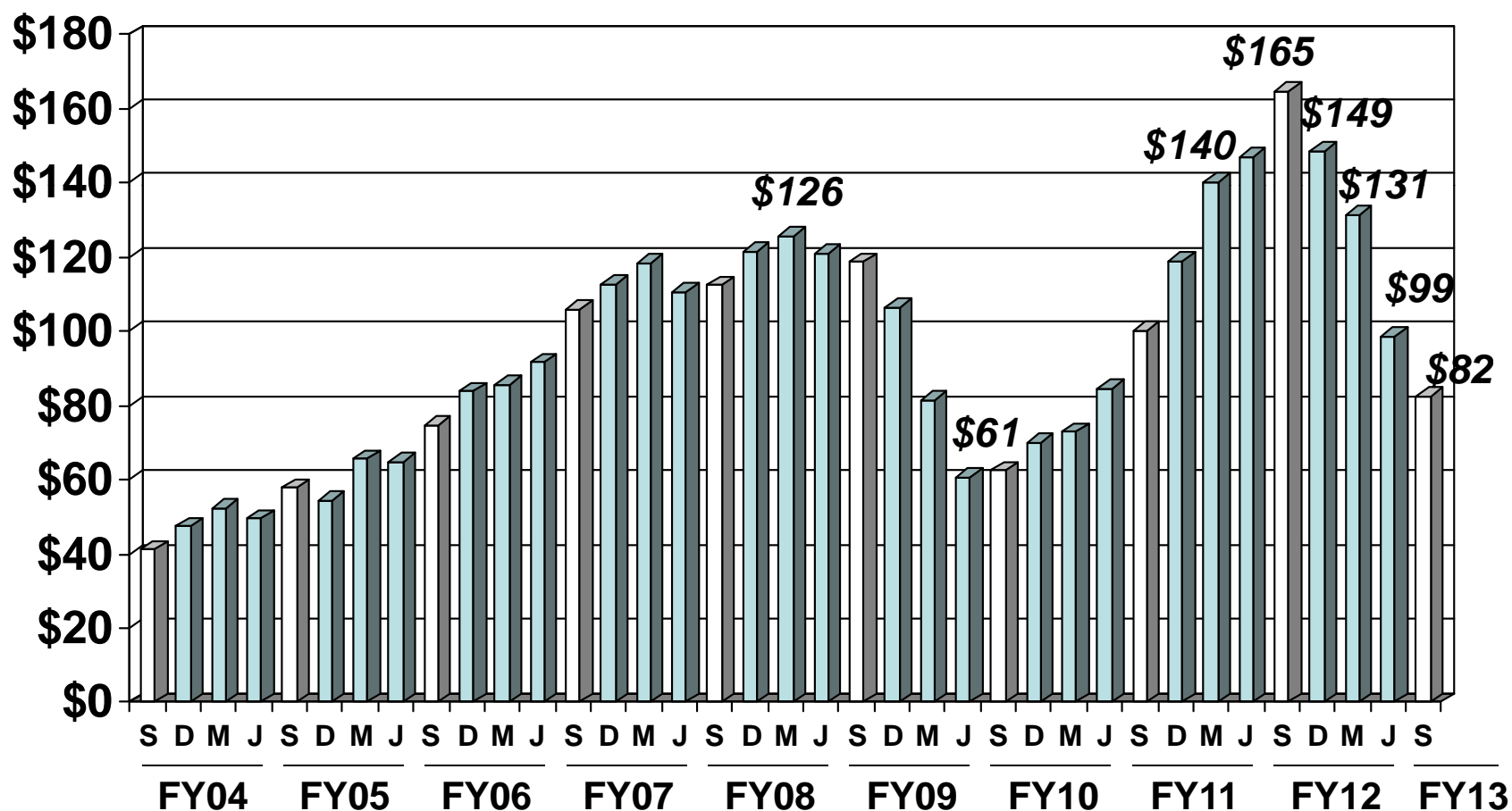
November 7, 2012



Twin Disc, Incorporated

# Corporate Six Month Backlog

*\$ millions* (Mfg Orders to be shipped in the next 6 months)





# Fiscal Year 2013 Outlook

- Oil and Gas landscape causes near term outlook to be cautious
- Marine markets will remain mixed
  - Pleasure Craft improving off of low base, primarily from market share gains – EJS™ & Cat Three60 impact
  - Work Boat, including US Gulf and Asian markets, showing improvement
  - Patrol Boat market is expanding
- Industrial, ARFF & Military showing modest growth
- Asian market continues at near record levels; Europe is slow; while US (excluding Oil and Gas) is improving modestly



# Fiscal Year 2014 & Beyond

- Oil and Gas landscape: mid to longer term prospects remain very favorable
  - Continued globalization of the pressure pumping business
  - 7500 expected to gain market share
- Global marine markets expected to be growing
  - Pleasure Craft market expected to be recovering, as well as continuing market share gains coming from EJS® and Cat® Three60 and the introduction of innovative Cat POD system featuring patented QuickShift® transmission technology
  - North American and Asian Work Boat market anticipated to continue to grow, with Europe beginning to show signs of recovery
  - Patrol Boat demand for coastal security applications to grow
- Industrial, ARFF & Military outlook remains steady
- Global growth opportunities in BRIC markets, particularly China, India and Brazil, continue to materialize





November 7, 2012



Twin Disc, Incorporated

# Appendices



## 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, EJS
- *Channels:* Engine OEMs & dealers, & boat builders
- *Customers:* CAT, CMD, MAN, MTU, Volvo / Azimuth, Baia, Ferretti, Maritimo, 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, Groupe Bourbon)
- **Competition:** ZF, Reintjes / Kamewa, Hamilton







## Corporate Profile – Market Diversity

### Patrol Boat Market:

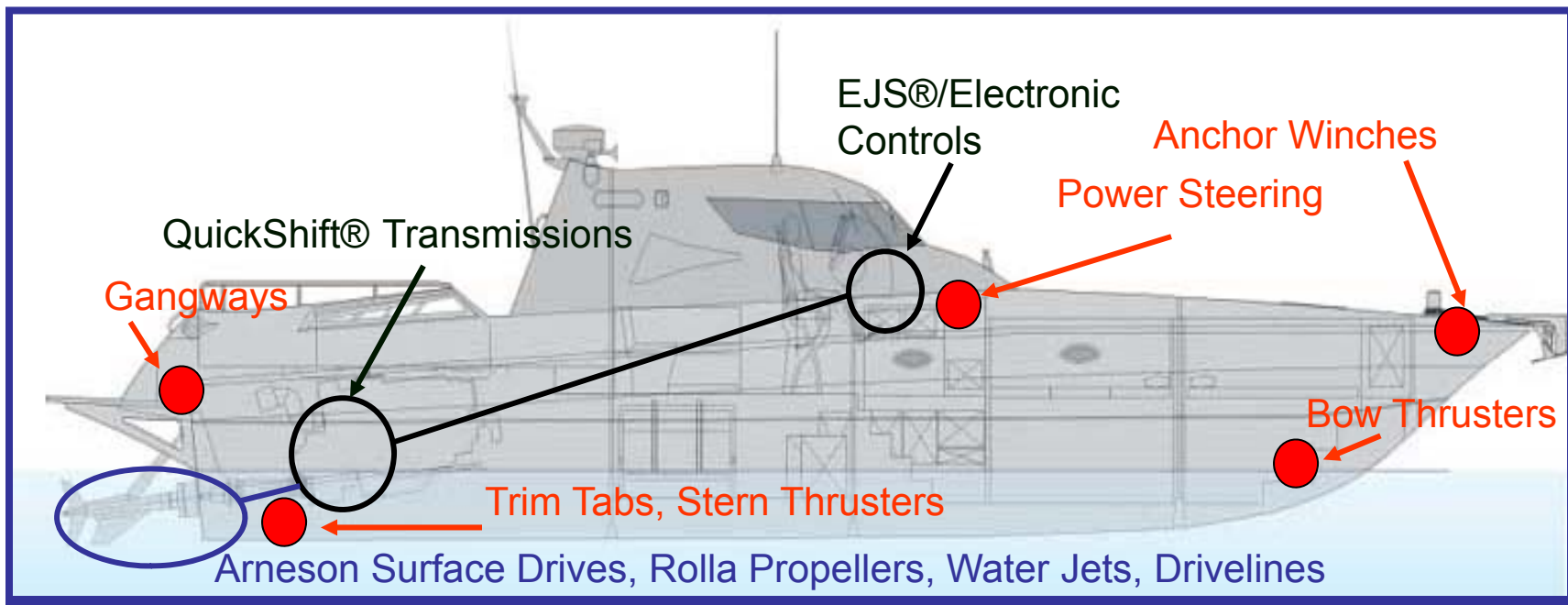
- **Target Markets:** military, patrol and coast guard vessels from 30' to 90', diesel-powered
- **Products:** Transmissions, Surface Drives, Propellers, Steering/Thruster/Trim Systems, Water Jets, Controls, EJS
- **Channels:** Engine OEMs & dealers, naval authorities & boat builders
- **Customers:**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





## Corporate Profile – Market Diversity

### Marine Transmissions, Propulsion & Boat Management Systems



**We have been very successful “bundling” more marine products**

- Increasing content and value on each vessel
- Working directly with the shipyards
- Industry expert on vessel performance and handling



## 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 – 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, Rosenbauer, Oshkosh, Tatra / BJ Services, Cisco High-Lift, Crown Energy, Enerflo, Fractec, MG Bryan, Trican, Tai'an, Zoomlion
- *Competitors:* Allison, Cat

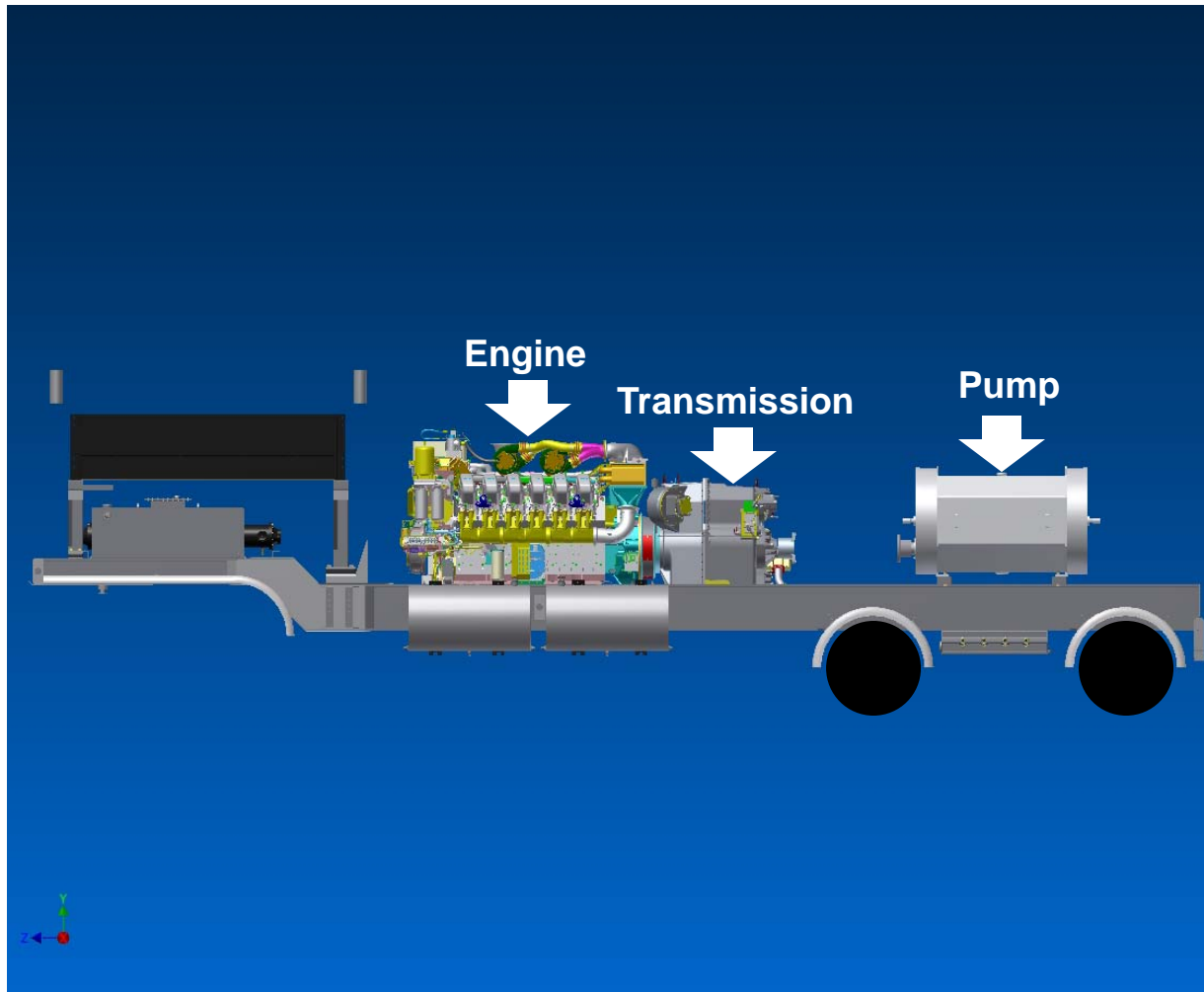




Twin Disc, Incorporated

## Appendix VII

# Frac Rig Diagram

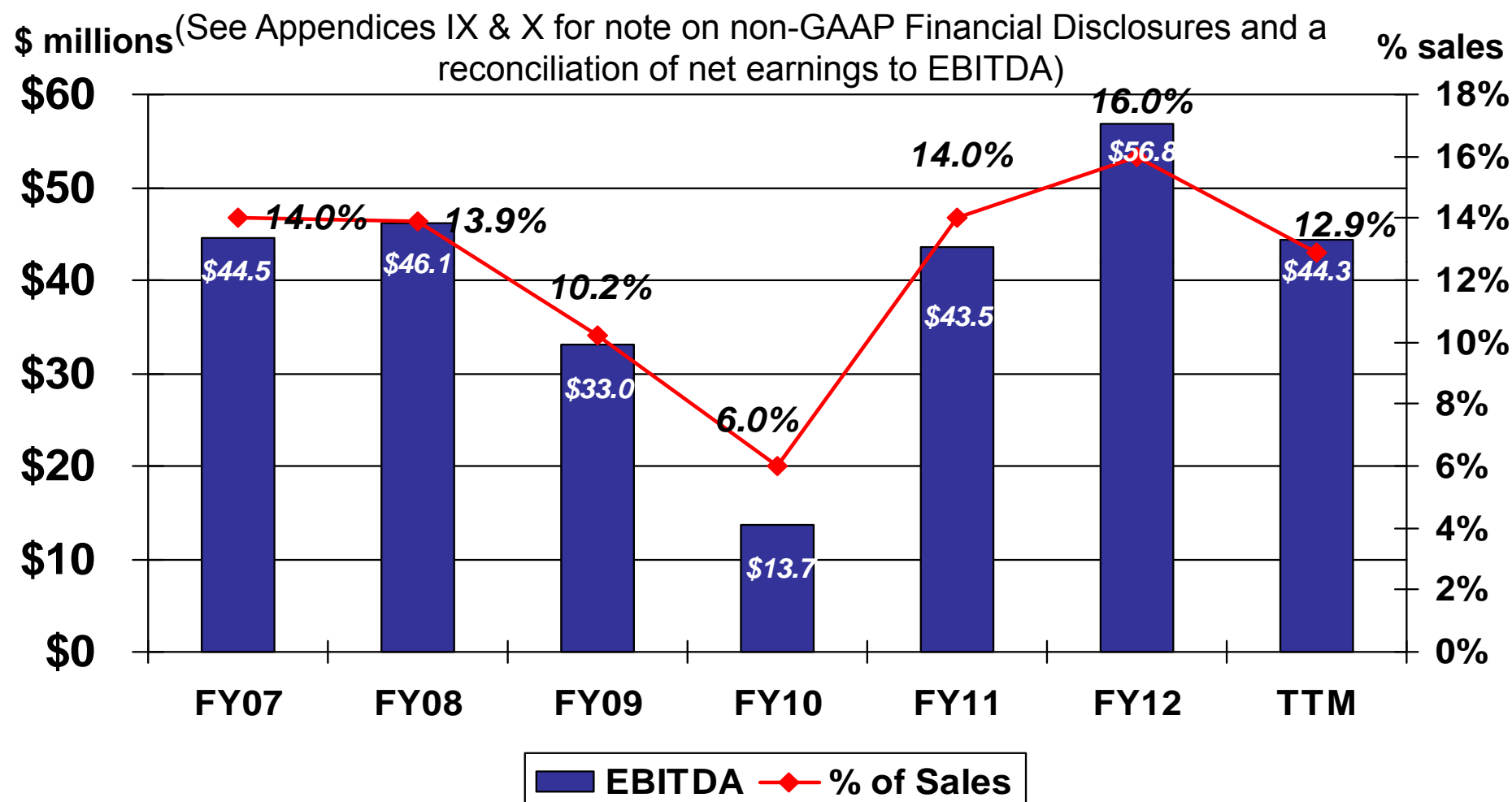


November 7, 2012





## EBITDA



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



## 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.



## Reconciliation of Net Earnings to EBITDA

| <i>in \$ thousands, except % data</i>                                 | <b>TTM</b>        | <b>2012</b>       | <b>2011</b>       | <b>2010</b>       | <b>2009</b>       | <b>2008</b>       | <b>2007</b>       |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Net Earnings</b>   | <b>\$ 17,782</b>  | <b>\$ 26,112</b>  | <b>\$ 18,830</b>  | <b>\$ 597</b>     | <b>\$ 11,502</b>  | <b>\$ 24,252</b>  | <b>\$ 21,852</b>  |
| Income Taxes  | 14,264            | 18,446            | 13,064            | 992               | 6,257             | 10,904            | 12,273            |
| Interest Expense  | 1,422             | 1,475             | 1,719             | 2,282             | 2,487             | 3,038             | 3,154             |
| Depreciation & Amortization   | 10,815            | 10,756            | 9,904             | 9,817             | 9,774             | 7,881             | 7,252             |
| <b>Earnings before interest, taxes, depreciation and amortization</b> | <b>\$ 44,283</b>  | <b>\$ 56,789</b>  | <b>\$ 43,517</b>  | <b>\$ 13,688</b>  | <b>\$ 30,020</b>  | <b>\$ 46,075</b>  | <b>\$ 44,531</b>  |
| <b>Net Sales</b>  | <b>\$ 343,333</b> | <b>\$ 355,870</b> | <b>\$ 310,393</b> | <b>\$ 227,534</b> | <b>\$ 295,618</b> | <b>\$ 331,694</b> | <b>\$ 317,200</b> |
| <b>EBITDA as a % of Sales</b>   | <b>12.9%</b>      | <b>16.0%</b>      | <b>14.0%</b>      | <b>6.0%</b>       | <b>10.2%</b>      | <b>13.9%</b>      | <b>14.0%</b>      |

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



## Reconciliation of TTM Data to Reported Quarterly Figures

|                  | <u>FY 10**</u> | <u>FY 11**</u> | <u>Q1 '12*</u> | <u>Q2 '12*</u> | <u>Q3 '12*</u> | <u>Q4 '12</u> | <u>FY 12**</u> | <u>Q1 '13*</u> | <u>TTM</u> |
|------------------|----------------|----------------|----------------|----------------|----------------|---------------|----------------|----------------|------------|
| Sales            | \$ 227,534     | \$ 310,393     | \$ 81,330      | \$ 82,941      | \$ 95,490      | \$ 96,109     | \$ 355,870     | \$ 68,793      | \$ 343,333 |
| Gross Profit     | 60,465         | 107,683        | 30,768         | 29,562         | 33,056         | 28,246        | 121,632        | 19,416         | 110,280    |
| Operating Income | 3,085          | 34,716         | 14,859         | 9,465          | 15,310         | 5,237         | 44,871         | 2,796          | 32,808     |
| Interest Exp     | 2,282          | 1,719          | 359            | 381            | 389            | 346           | 1,475          | 306            | 1,422      |
| Net Earnings     | 597            | 18,830         | 9,581          | 5,857          | 9,393          | 1,281         | 26,112         | 1,251          | 17,782     |
| EPS, Diluted     | \$ 0.05        | \$ 1.64        | \$ 0.83        | \$ 0.51        | \$ 0.81        | \$ 0.11       | \$ 2.26        | \$ 0.11        | \$ 1.54    |
| EPS, Basic       | \$ 0.05        | \$ 1.66        | \$ 0.84        | \$ 0.51        | \$ 0.82        | \$ 0.11       | \$ 2.29        | \$ 0.11        | \$ 1.55    |
| CAPEX            | 4,456          | 12,028         | 3,587          | 3,306          | 3,667          | 3,173         | 13,733         | 1,337          | 11,483     |
| Deprec.          | 9,817          | 9,904          | 2,573          | 2,738          | 2,699          | 2,746         | 10,756         | 2,632          | 10,815     |
| Oper Cash Flow   | 35,116         | 13,860         | (1,196)        | (1,858)        | (755)          | 18,253        | 14,444         | 2,082          | 17,722     |
| Dividends        | 3,133          | 3,411          | 914            | 914            | 1,029          | 1,029         | 3,886          | 1,026          | 3,998      |
|                  |                |                |                |                |                |               |                |                | -          |
| Pretax Income    | 1,722          | 32,029         | 14,894         | 9,234          | 14,850         | 5,778         | 44,756         | 2,363          | 32,225     |
| Taxes            | 992            | 13,064         | 5,259          | 3,368          | 5,412          | 4,407         | 18,446         | 1,077          | 14,264     |

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

\*\* Annual Data is from the Company's audited Form 10-K filing with the SEC.



# Fiscal Year Condensed Consolidated Statements of Operations

| (\$ thousands, per Form 10-K) | <u>TTM*</u>      | <u>2012</u>      | <u>2011</u>      | <u>2010</u>     | <u>2009</u>      | <u>2008</u>      |
|-------------------------------|------------------|------------------|------------------|-----------------|------------------|------------------|
| <b>Sales</b>                  | \$ 357,128       | \$ 355,870       | \$ 310,393       | \$ 227,534      | \$ 295,618       | \$ 331,694       |
| <b>Gross Profit</b>           | 129,507<br>36.3% | 121,632<br>34.2% | 107,683<br>34.7% | 60,465<br>26.6% | 81,443<br>27.6%  | 104,868<br>31.6% |
| <b>MEA Expense</b>            | 75,995<br>21.3%  | 73,091<br>20.5%  | 72,967<br>23.5%  | 57,380<br>25.2% | 61,658<br>20.9%  | 65,976<br>19.9%  |
| <b>Impairment Charge</b>      | 254              | 3,670            | -                | -               | -                | -                |
| <b>Interest Expense</b>       | 1,539            | 1,475            | 1,719            | 2,282           | 2,487            | 3,038            |
| <b>Misc. Exp/(Inc)</b>        | <u>(341)</u>     | <u>(1,360)</u>   | <u>968</u>       | <u>(919)</u>    | <u>(747)</u>     | <u>606</u>       |
| <b>Pretax Earnings</b>        | 52,060           | 44,756           | 32,029           | 1,722           | 18,045           | 35,248           |
| <b>Income Taxes</b>           | 19,455           | 18,446           | 13,064           | 992             | 6,257            | 10,904           |
| <b>Minority Interest</b>      | <u>(182)</u>     | <u>(198)</u>     | <u>(135)</u>     | <u>(133)</u>    | <u>(286)</u>     | <u>(92)</u>      |
| <b>Net Earnings</b>           | <u>\$ 32,423</u> | <u>\$ 26,112</u> | <u>\$ 18,830</u> | <u>\$ 597</u>   | <u>\$ 11,502</u> | <u>\$ 24,252</u> |
| <b>EBITDA</b>                 | \$ 64,348        | \$ 56,789        | \$ 43,517        | \$ 13,688       | \$ 33,020        | \$ 46,075        |
| <b>DILUTED EPS</b>            | \$ 2.81          | \$ 2.26          | \$ 1.64          | \$ 0.05         | \$ 1.03          | \$ 2.13          |

\* Represents trailing four quarter figures as of the quarter ending September 28, 2012.  
See Appendix XI for reconciliation of TTM figures to reported figures.

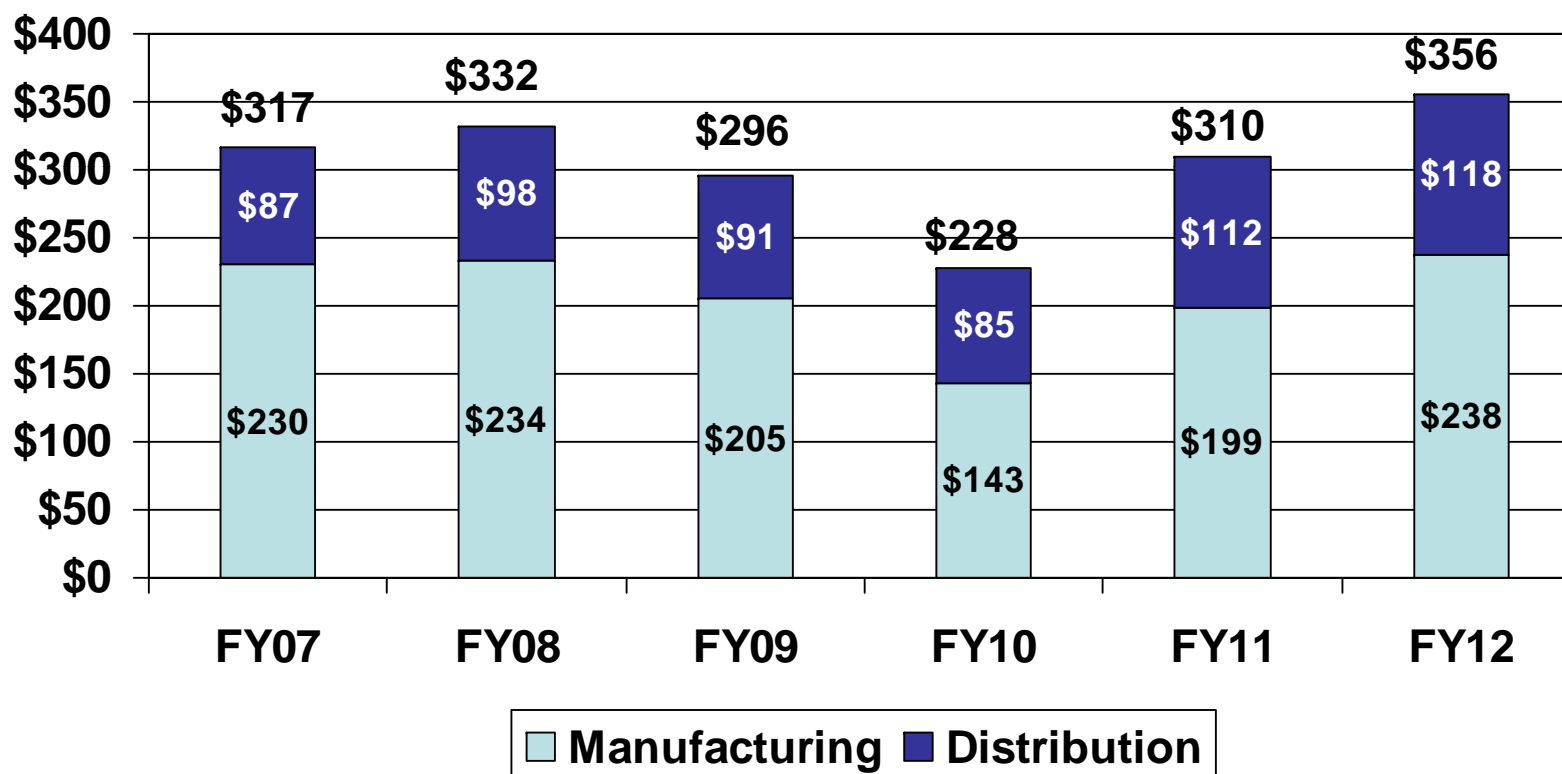


1<sup>st</sup> Fiscal Qtr Condensed Consolidated Statements of Operations

| (\$ thousands, unaudited)   | 2013      | 2012      | 2011      | 2010       | 2009      |
|-----------------------------|-----------|-----------|-----------|------------|-----------|
| <b>Sales</b>                | \$ 68,793 | \$ 81,330 | \$ 61,395 | \$ 47,057  | \$ 72,671 |
| <b>Gross Profit</b>         | 19,416    | 30,768    | 20,023    | 9,747      | 20,072    |
|                             | 28.2%     | 37.8%     | 32.6%     | 20.7%      | 27.6%     |
| <b>MEA Expense</b>          | 16,620    | 15,909    | 14,777    | 12,778     | 16,318    |
|                             | 24.2%     | 19.6%     | 24.1%     | 27.2%      | 22.5%     |
| <b>Interest Expense</b>     | 306       | 359       | 439       | 619        | 597       |
| <b>Misc. Exp/(Inc)</b>      | 127       | (394)     | 554       | 60         | (820)     |
| <b>Pretax Earnings</b>      | 2,363     | 14,894    | 4,253     | (3,710)    | 3,977     |
| <b>Income Taxes</b>         | 1,077     | 5,259     | 1,556     | (1,398)    | 1,353     |
| <b>Minority Interest</b>    | (35)      | (54)      | (41)      | (92)       | (159)     |
| <b>Net Earnings</b>         | \$ 1,251  | \$ 9,581  | \$ 2,656  | \$ (2,404) | \$ 2,465  |
| <b>EBITDA</b>               | \$ 5,266  | \$ 17,772 | \$ 6,923  | \$ (808)   | \$ 6,814  |
| <b>EBITDA as % of Sales</b> | 8%        | 22%       | 11%       | -2%        | 9%        |
| <b>DILUTED EPS</b>          | \$ 0.11   | \$ 0.83   | \$ 0.24   | \$ (0.22)  | \$ 0.22   |

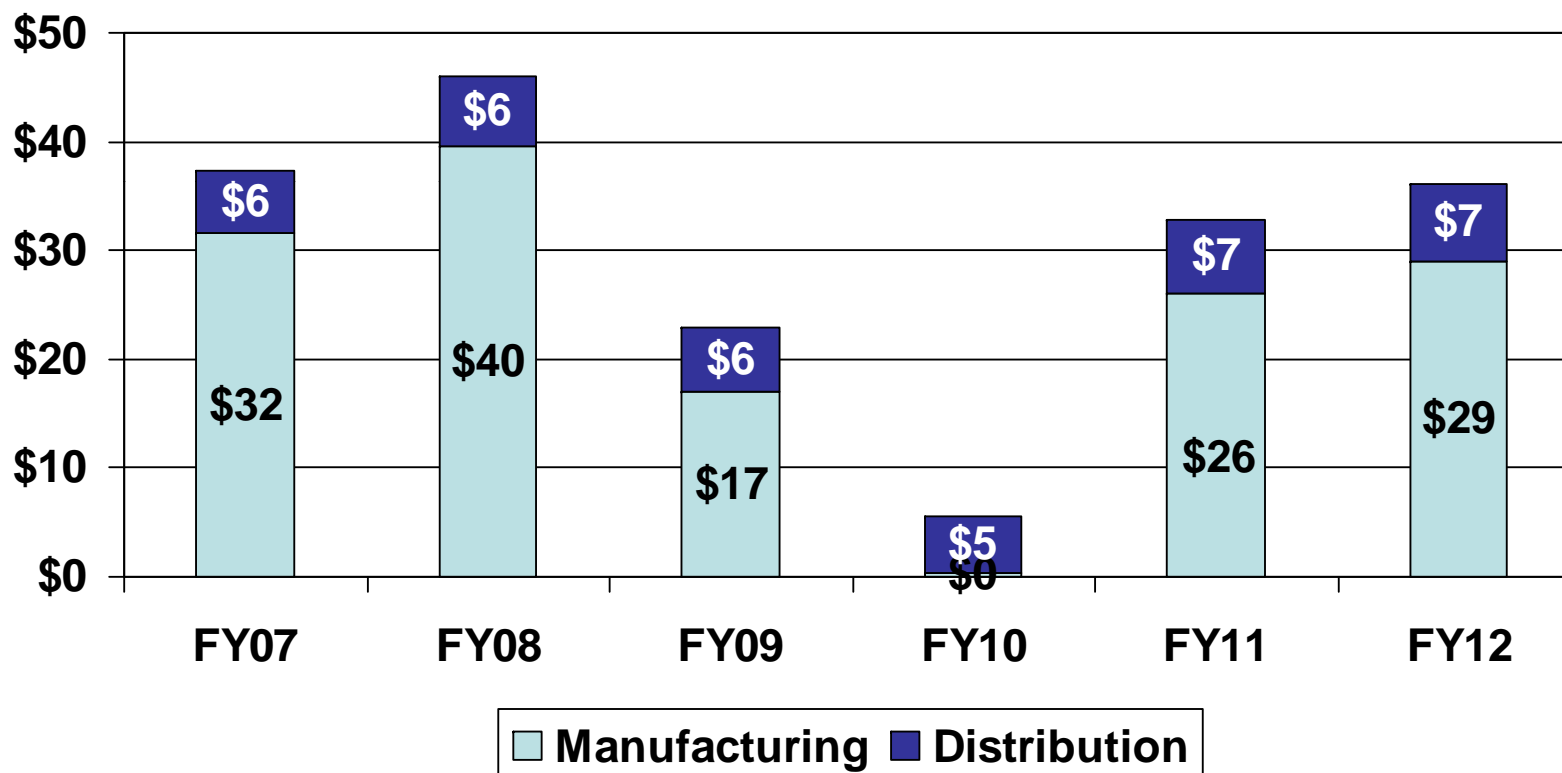


## Historical Net Sales by Segment





## Historical Net Earnings by Segment (before Corporate Expense)



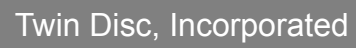


Twin Disc, Incorporated

## Express Joystick System® in Action



Go to <http://www.twindisc.com/MarineProducts/EJS.html> to see the new revolutionary Twin Disc Express Joystick System® in action.



November 7, 2012