



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 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.

# Corporate Profile

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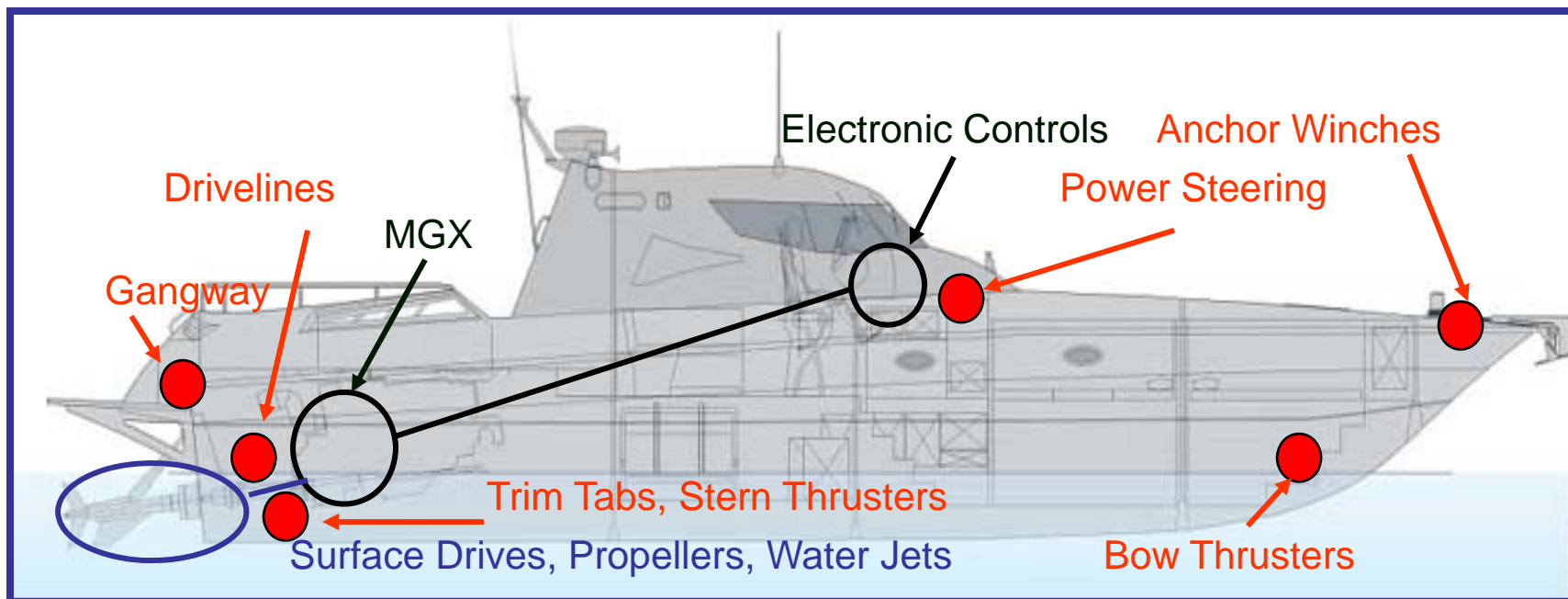


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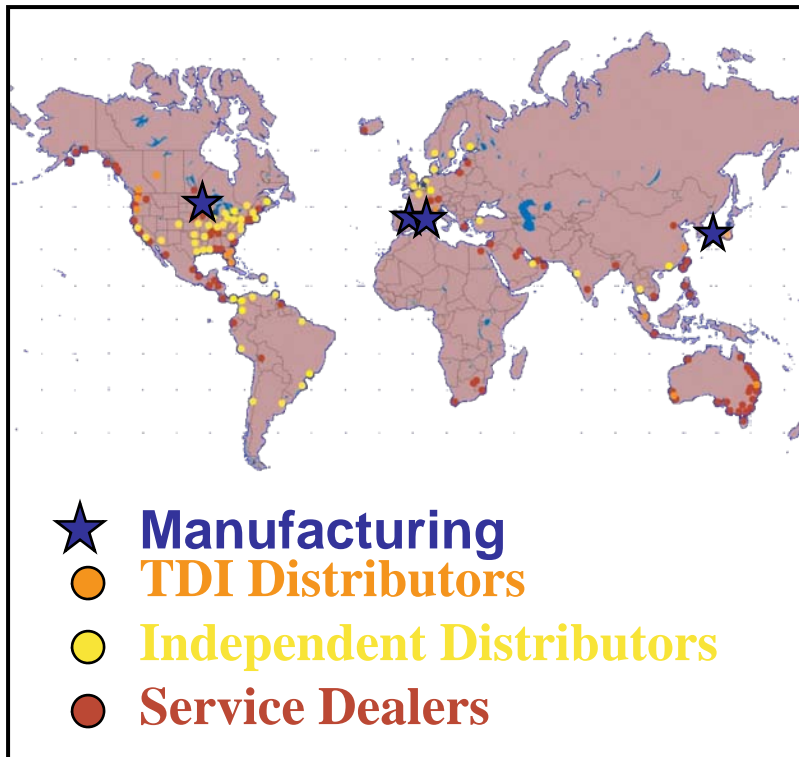


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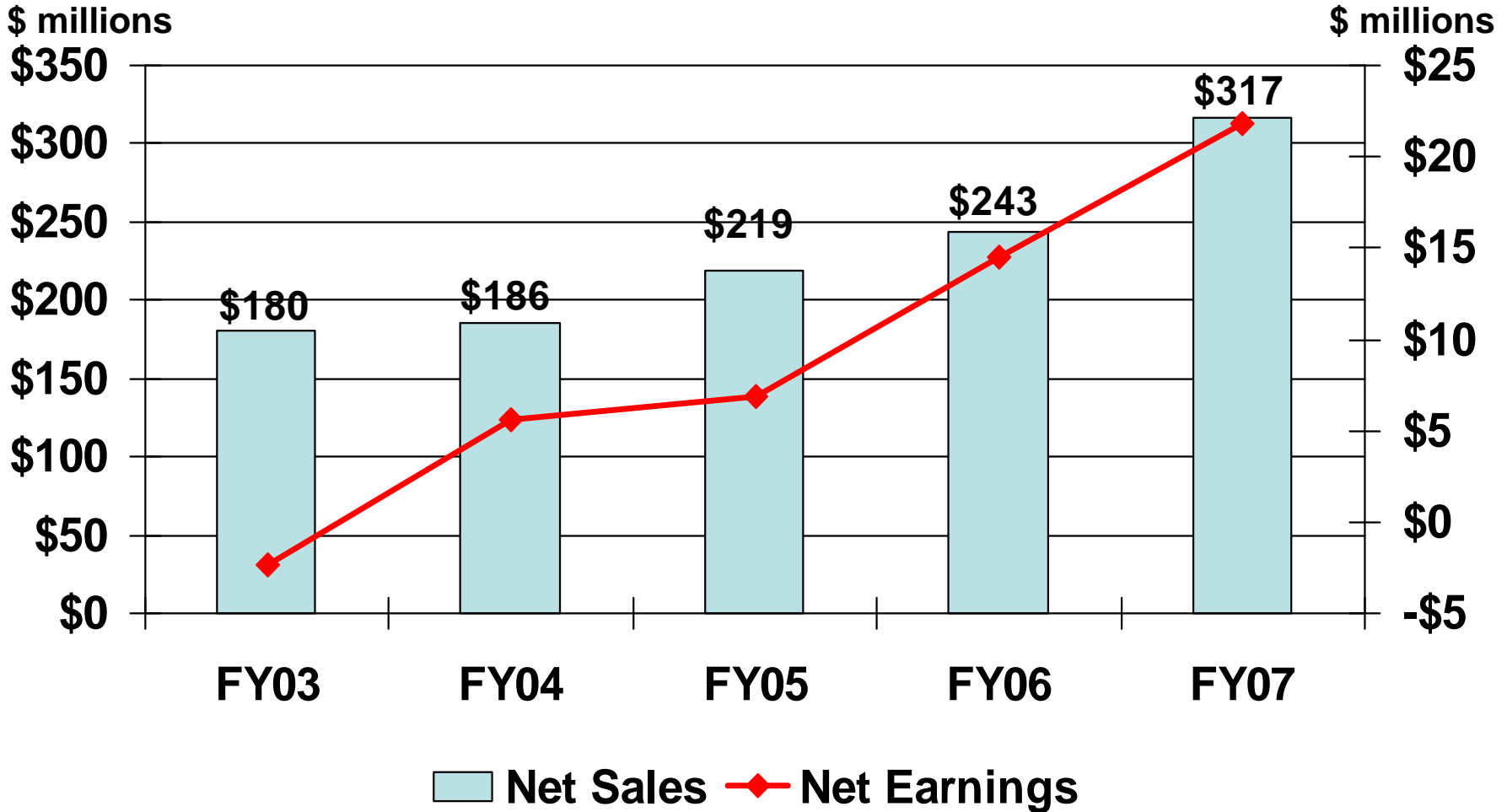


- We are a global company with operations in the U.S., Italy, Belgium, Switzerland and Japan and have a world-wide distributor network

# Fiscal Year 2007 Highlights

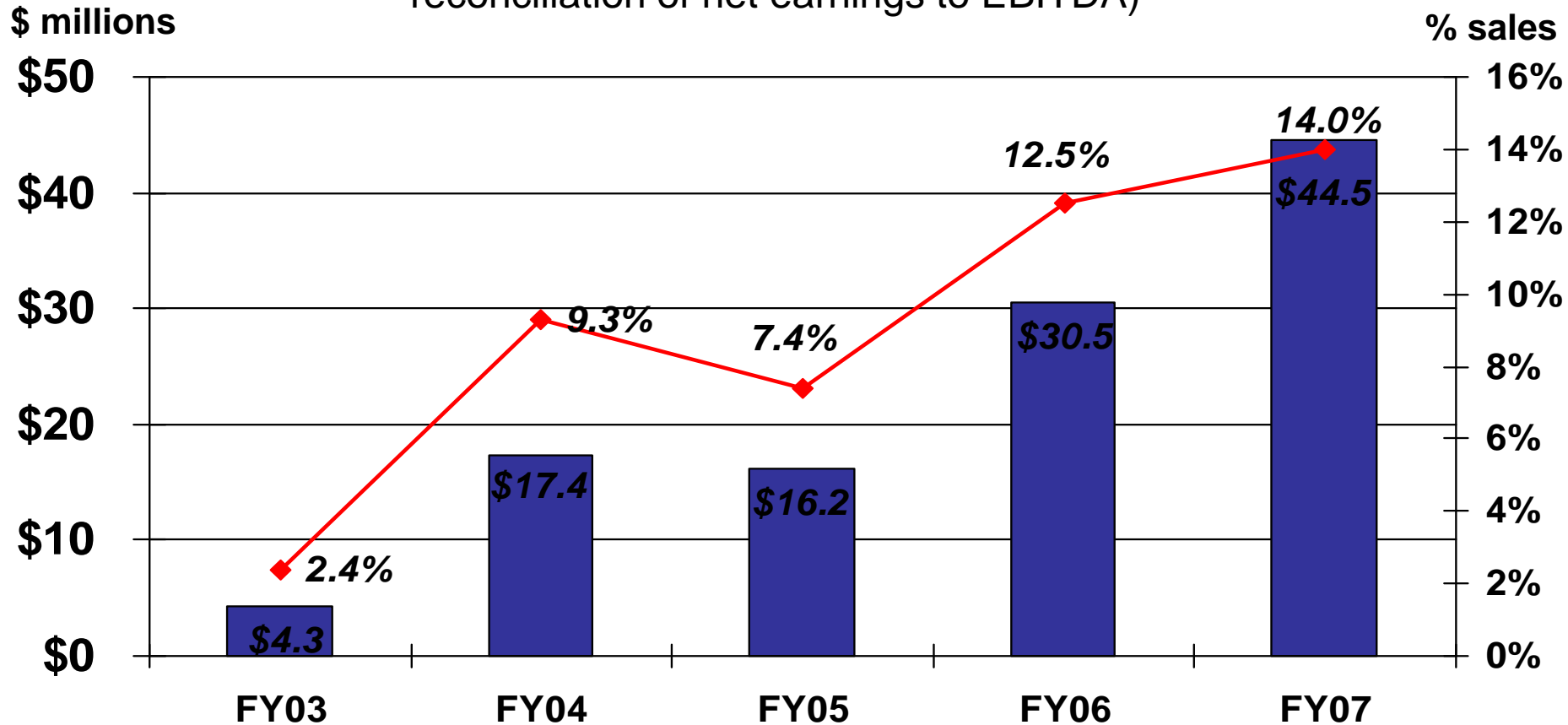
- Record Sales >> \$317 million
  - 30% revenue growth; 15% after BCS
  - Strong demand from oilfield, military and marine markets
- Gross margin >> 32.4% (+180 bps)
- Net Earnings >> \$22 million (+54%)
- FY end Backlog >> \$110 million record
- Added to Russell 2000 Index

# Net Sales & Net Earnings



# EBITDA

(See Appendices I & II for note on non-GAAP Financial Disclosures and a reconciliation of net earnings to EBITDA)



■ EBITDA ◆ % of Sales



# Impact of Significant Items

## (Fiscal Year 2007)

	<u>Qtr 4</u>	<u>Diluted EPS Impact</u>	<u>Full Year</u>	<u>Diluted EPS Impact</u>
<b>FY 2007, as reported</b>	<b>\$ 5,001</b>		<b>\$ 21,852</b>	
<b>EPS</b>	<b>\$ 0.83</b>		<b>\$ 3.68</b>	
Significant Items (after-tax impact):				
<i>Intangible Asset Write-off</i>	366	\$ 0.06	366	\$ 0.06
<i>Restructuring</i>	1,751	\$ 0.29	1,751	\$ 0.29
<i>Stock based comp</i>	740	\$ 0.12	1,347	\$ 0.23
<i>R&amp;D Tax Project</i>	(877)	\$ (0.15)	(1,077)	\$ (0.18)
	<u>1,980</u>	<u>\$ 0.32</u>	<u>2,387</u>	<u>\$ 0.40</u>
<b>FY 2007, as adjusted</b>	<b>\$ 6,981</b>		<b>\$ 24,239</b>	
<b>EPS</b>	<b>\$ 1.15</b>		<b>\$ 4.08</b>	



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# Looking Ahead

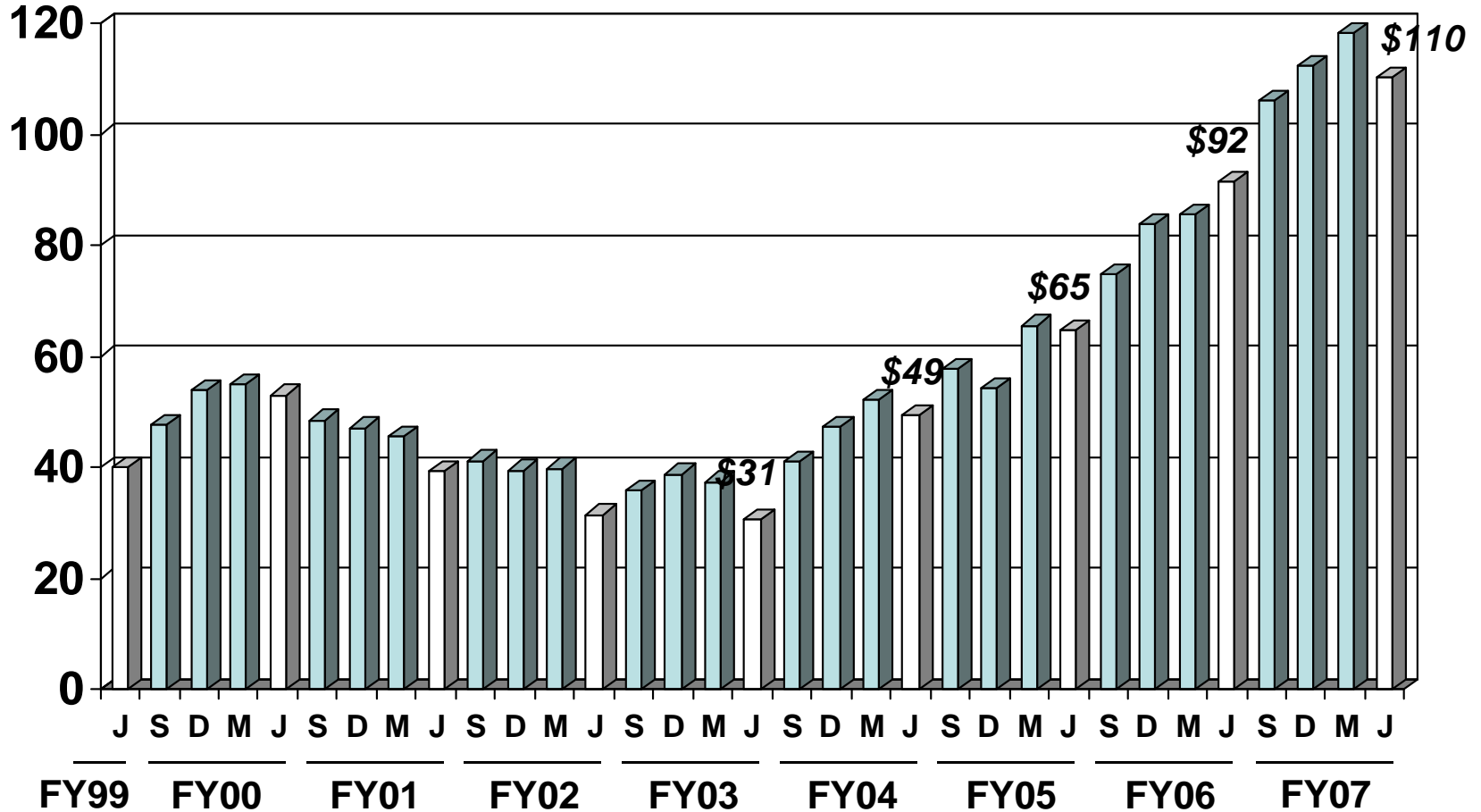




# Corporate Six Month Backlog

(Orders to be shipped in the next 6 months)

\$ millions



# Fiscal Year 2008 Outlook

- FY 2008 will be another good year
- Key markets will remain strong
  - Oilfield demand continues at strong levels
  - Activity in crew & supply boats is solid
  - Demand & inquiries for military transmissions remain strong
  - Outlook for mega-yachts is bright

# Fiscal Year 2008 Outlook

- Technology differentiation/new products
- Opportunity for operating leverage continues
  - Expanding global outsourcing
  - Investing in core competencies
- Enhanced stock repurchase program



# 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

*in \$ thousands, except % data*

	2003	2004	2005	2006	2007
<b>Net Earnings</b>	\$ (2,394)	\$ 5,643	\$ 6,910	\$ 14,453	\$ 21,852
Income Taxes	(300)	4,964	2,485	8,470	12,273
Interest Expense	1,323	1,078	1,134	1,718	3,154
Depreciation & Amortization	5,673	5,692	5,677	5,866	7,252
<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>Net Sales</b>	\$ 179,591	\$ 186,089	\$ 218,472	\$ 243,287	\$ 317,200
<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>



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