



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 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

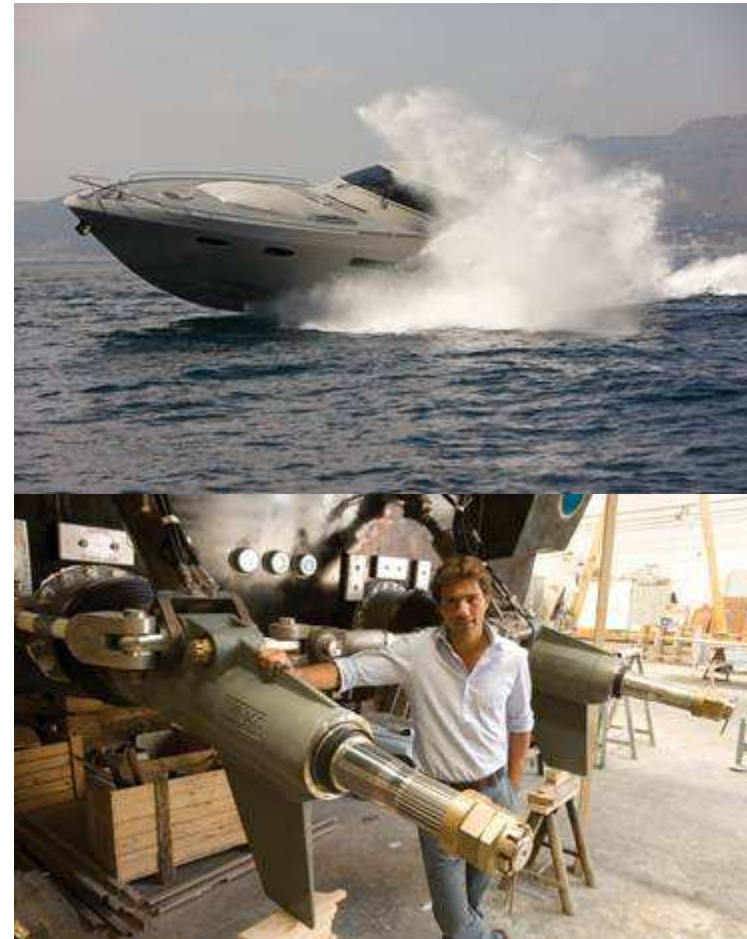
- Founded in 1918
- Headquartered in Racine, WI
- 1,000+ employees
- FY08 Revenues of \$332M
- We are a global company
 - Well-known customers around the world
 - Mfg Operations in the U.S., Italy, Belgium, Switzerland and Japan
 - World-wide distributor network
 - 61% of fiscal 2008 sales to international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

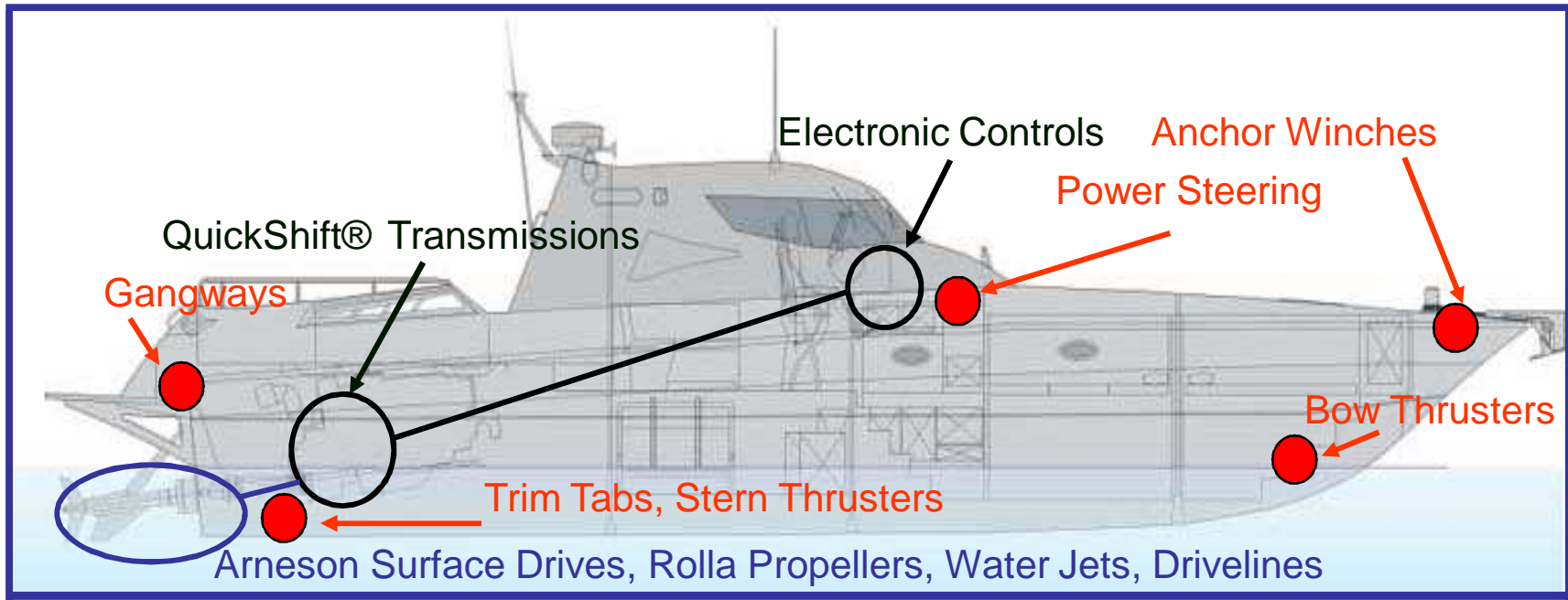
- *Target Markets:* military, patrol and coast guard vessels from 30' to 90', diesel powered
- *Products:* Transmissions, Surface Drives, Propellers, Steering/Thruster/Trim Systems, Water Jets, Controls
- *Channels:* Engine OEMs & dealers, & boat builders
- *Customers:* CAT, CMD, MAN, MTU, Volvo / Israeli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

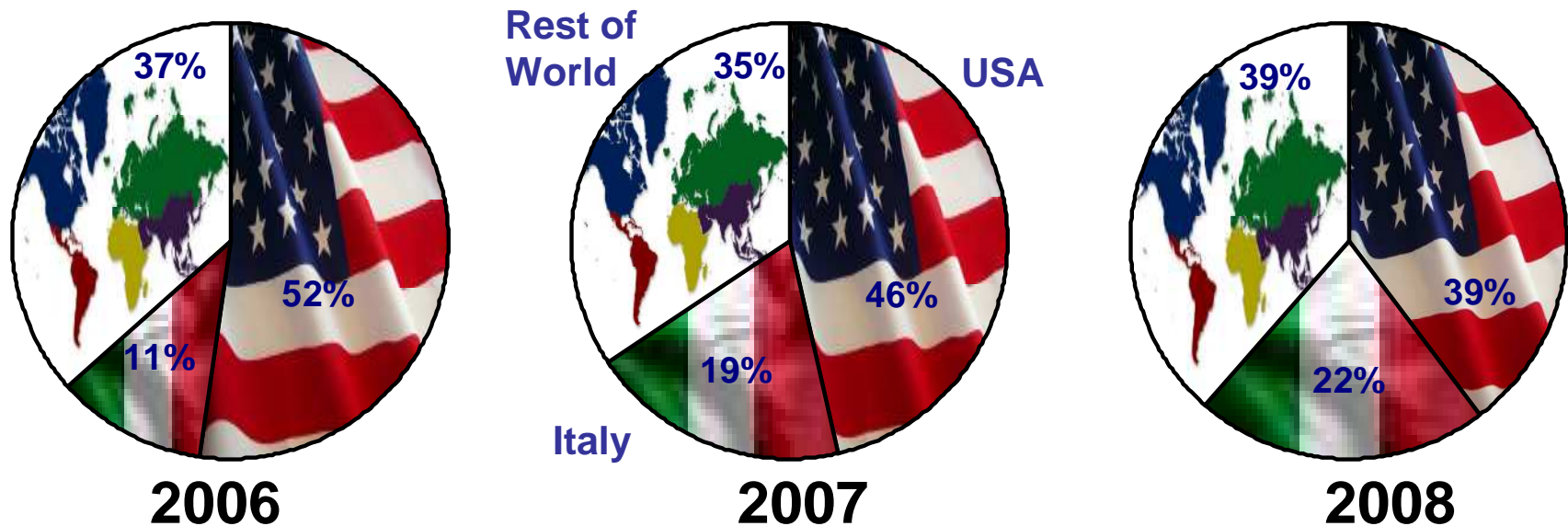
Industrial Products:

- *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

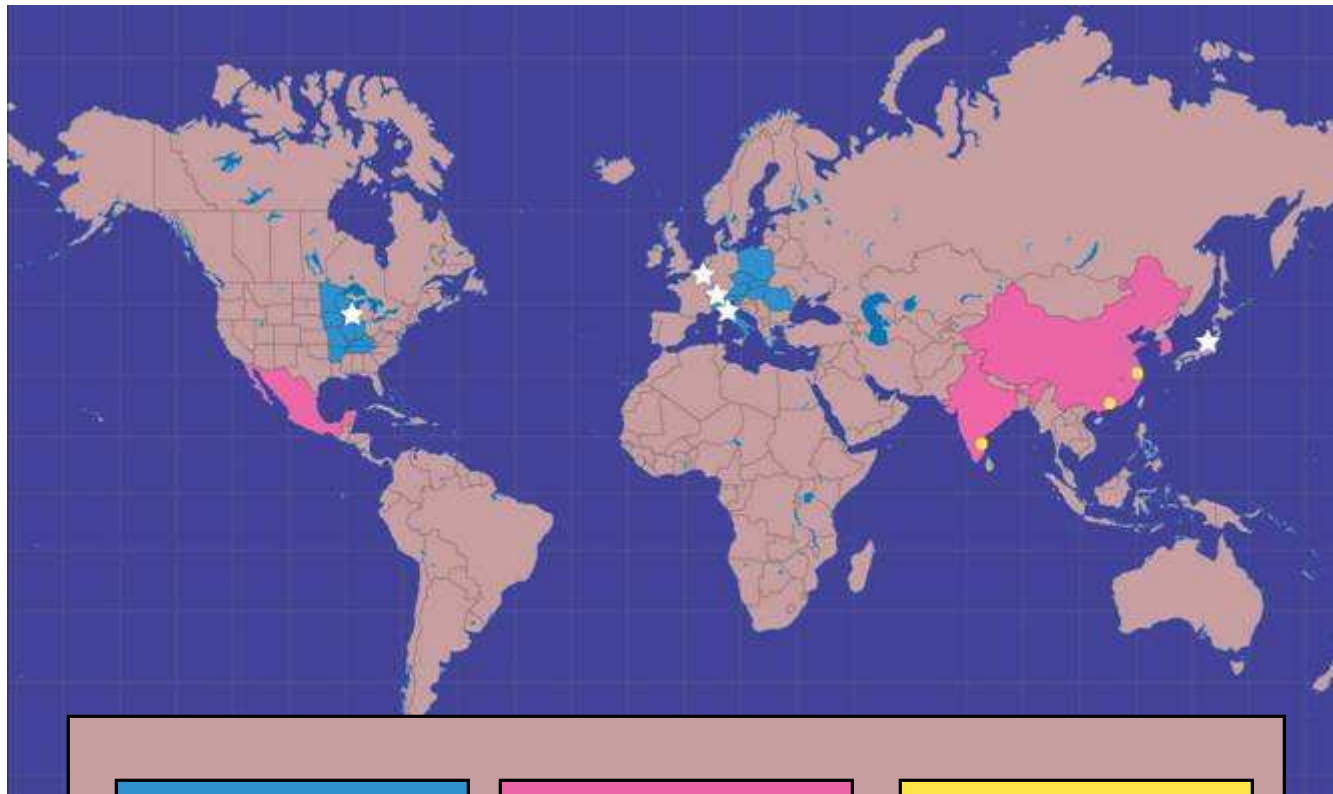
Investing in Core Competencies





Managing Our Cost Structure

Global Sourcing



Lower Cost

Low Cost

Sourcing Offices



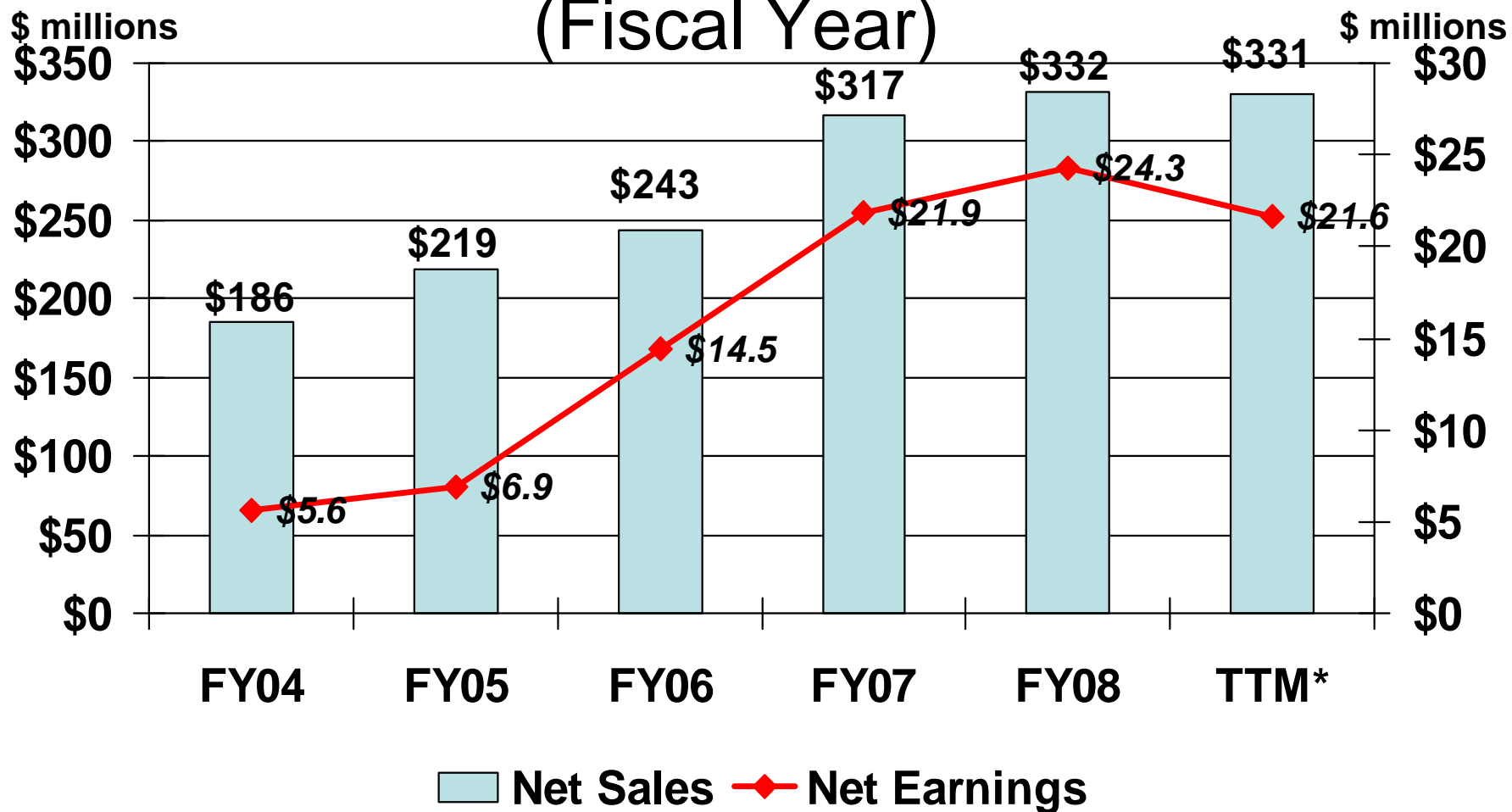
FY 2008 Financial Highlights

- **Major Markets Remained Strong**
 - 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
 - Experienced cyclical softening in industrial product markets
 - 2nd Quarter slow down in demand for oil and gas transmissions, but increasing inquiries at year end
- **Gross margins remain >30%**
- **Exceeded FY 2007's record net earnings**
- **4th Qtr Six Month Backlog >> \$121 million**



Net Sales & Net Earnings

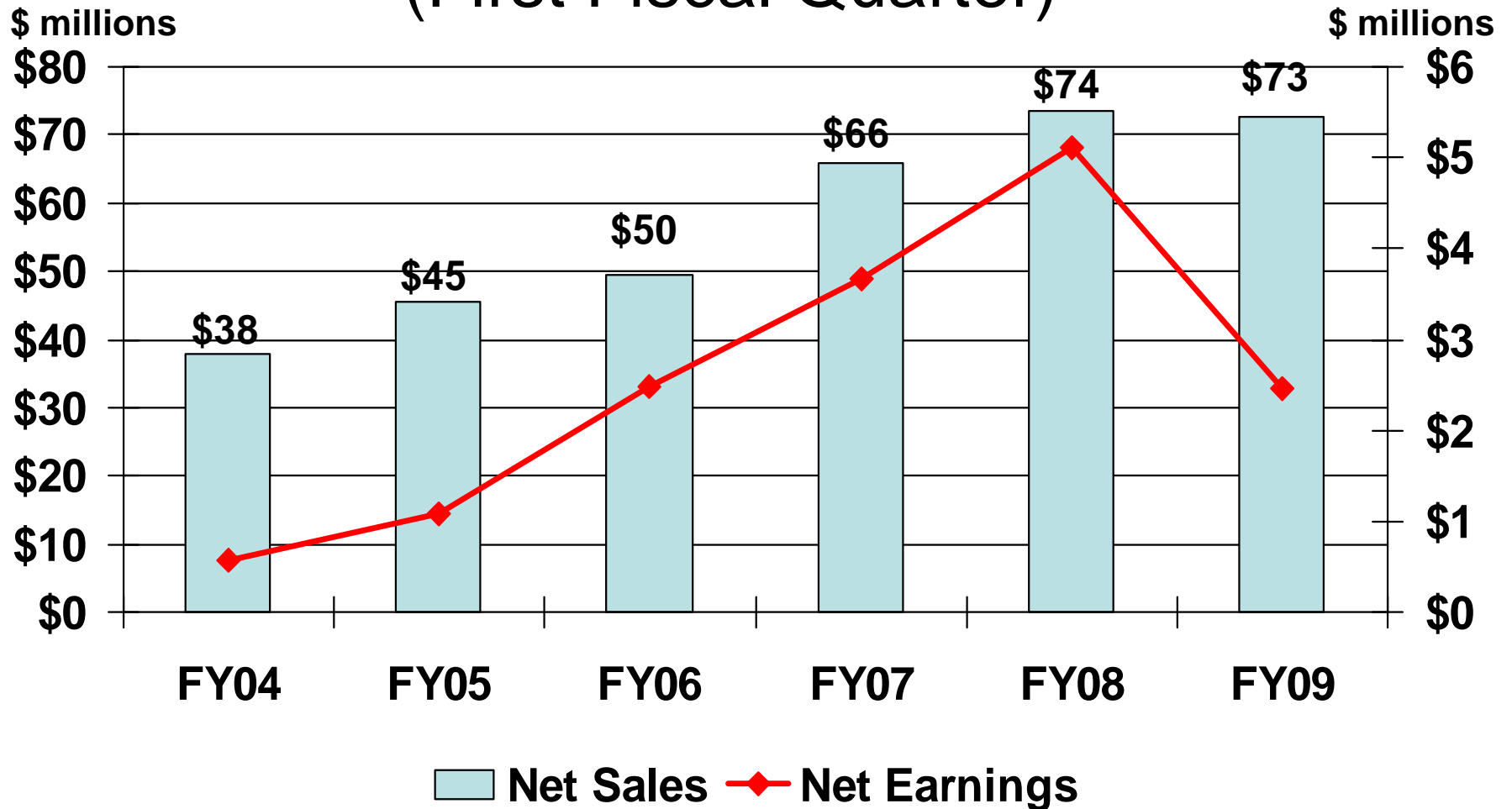
(Fiscal Year)



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

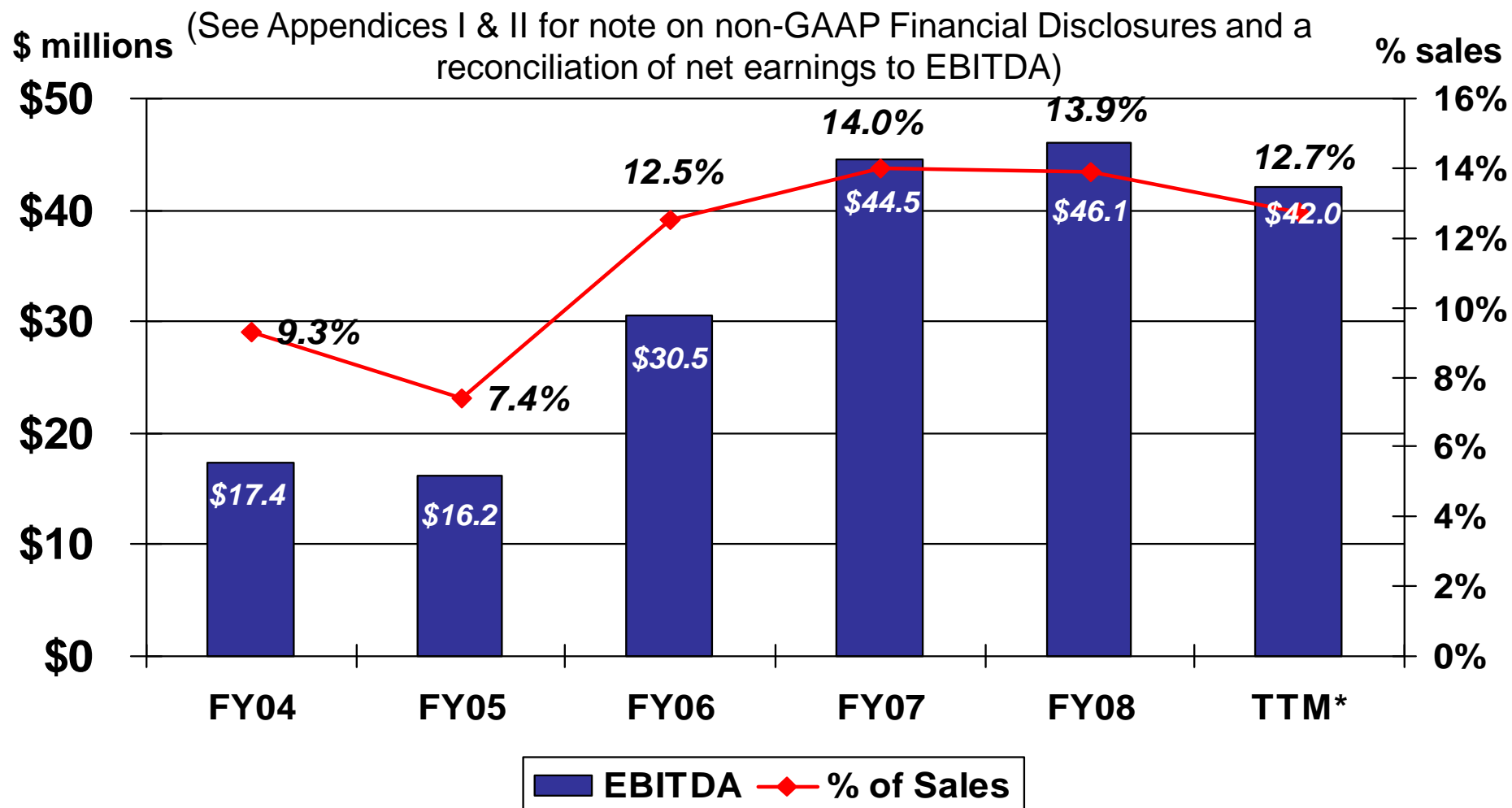


Net Sales & Net Earnings (First Fiscal Quarter)





EBITDA



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



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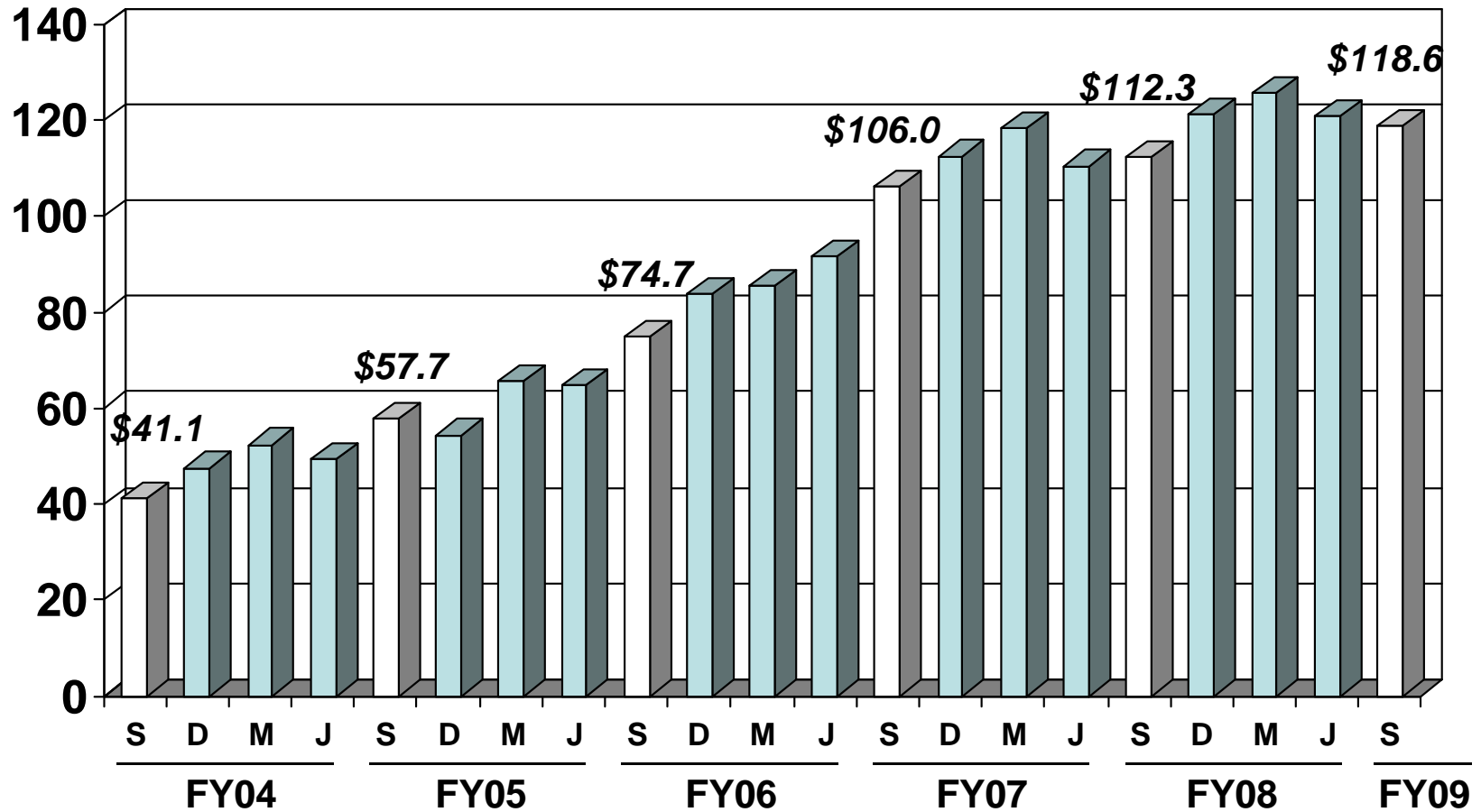
Looking Ahead



Corporate Six Month Backlog

(Orders to be shipped in the next 6 months)

\$ millions





Fiscal Year 2009 Outlook

- Cautiously optimistic
- Key markets remain strong
 - Commercial marine and mega yacht, defense and airport firefighting and rescue markets continue to be strong
- Seeing signs of improving in demand from customers in the industrial markets
- Increase in inquiries related to the oil and gas market
- Continue to monitor potential impact of recent global economic crisis



Fiscal Year 2009 Outlook

- Technology differentiation/new products
- Opportunity for operating leverage continues
 - Increasing volume
 - Expanding global outsourcing
 - Investing in core competencies
- Active Acquisition Program
- Active stock buyback program (Board authorized repurchase of up to an additional 500,000 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	\$ 21,612	\$ 24,252	\$ 21,852	\$ 14,453	\$ 6,910	\$ 5,643
Income Taxes	9,019	10,904	12,273	8,470	2,485	4,964
Interest Expense	2,892	3,038	3,154	1,718	1,134	1,078
Depreciation & Amortization	8,525	7,881	7,252	5,866	5,677	5,692
Earnings before interest, taxes, depreciation and amortization	\$ 42,048	\$ 46,075	\$ 44,531	\$ 30,507	\$ 16,206	\$ 17,377
Net Sales	\$ 330,752	\$ 331,694	\$ 317,200	\$ 243,287	\$ 218,472	\$ 186,089
EBITDA as a % of Sales	12.7%	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>TTM</u>
		(A)	(A)	(A)		(A)	∑ (A)
Sales	\$ 73,613	\$ 81,894	\$ 85,838	\$ 90,349	\$ 331,694	\$ 72,671	\$ 330,752
Gross Profit	23,851	25,346	26,627	29,045	104,868	20,072	101,090
Interest Exp	744	825	757	713	3,038	597	2,892
Net Earnings	5,106	4,209	7,929	7,009	24,252	2,465	21,612
EPS, Diluted	\$ 0.44	\$ 0.37	\$ 0.70	\$ 0.62	\$ 2.13	\$ 0.22	\$ 1.91
EPS, Basic	\$ 0.44	\$ 0.37	\$ 0.71	\$ 0.63	\$ 2.15	\$ 0.22	\$ 1.93
CAPEX	2,502	4,318	3,785	4,394	14,999	1,679	14,176
Deprec.	1,755	1,805	1,866	2,455	7,881	2,399	8,525
Oper Cash Flow	5,142	5,886	(213)	8,893	19,708	(1,292)	13,274
Dividends	653	784	783	780	3,000	789	3,136
Pretax Income	8,418	6,964	10,707	9,159	35,248	3,977	30,807
Taxes	3,237	2,729	2,719	2,218	10,904	1,353	9,019

* Quaterly 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 31.6%	102,909 32.4%	74,390 30.6%	57,420 26.3%	48,285 25.9%
MEA Expense	66,349 20.0%	63,267 19.9%	49,606 20.4%	44,666 20.4%	37,168 20.0%
Restructuring	(373)	2,652	-	2,076	-
Interest Expense	3,038	3,154	1,718	1,134	1,078
Misc. Exp/(Inc)	<u>606</u>	<u>(493)</u>	<u>14</u>	<u>52</u>	<u>(593)</u>
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	<u>(92)</u>	<u>(204)</u>	<u>(129)</u>	<u>(97)</u>	<u>(25)</u>
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 V

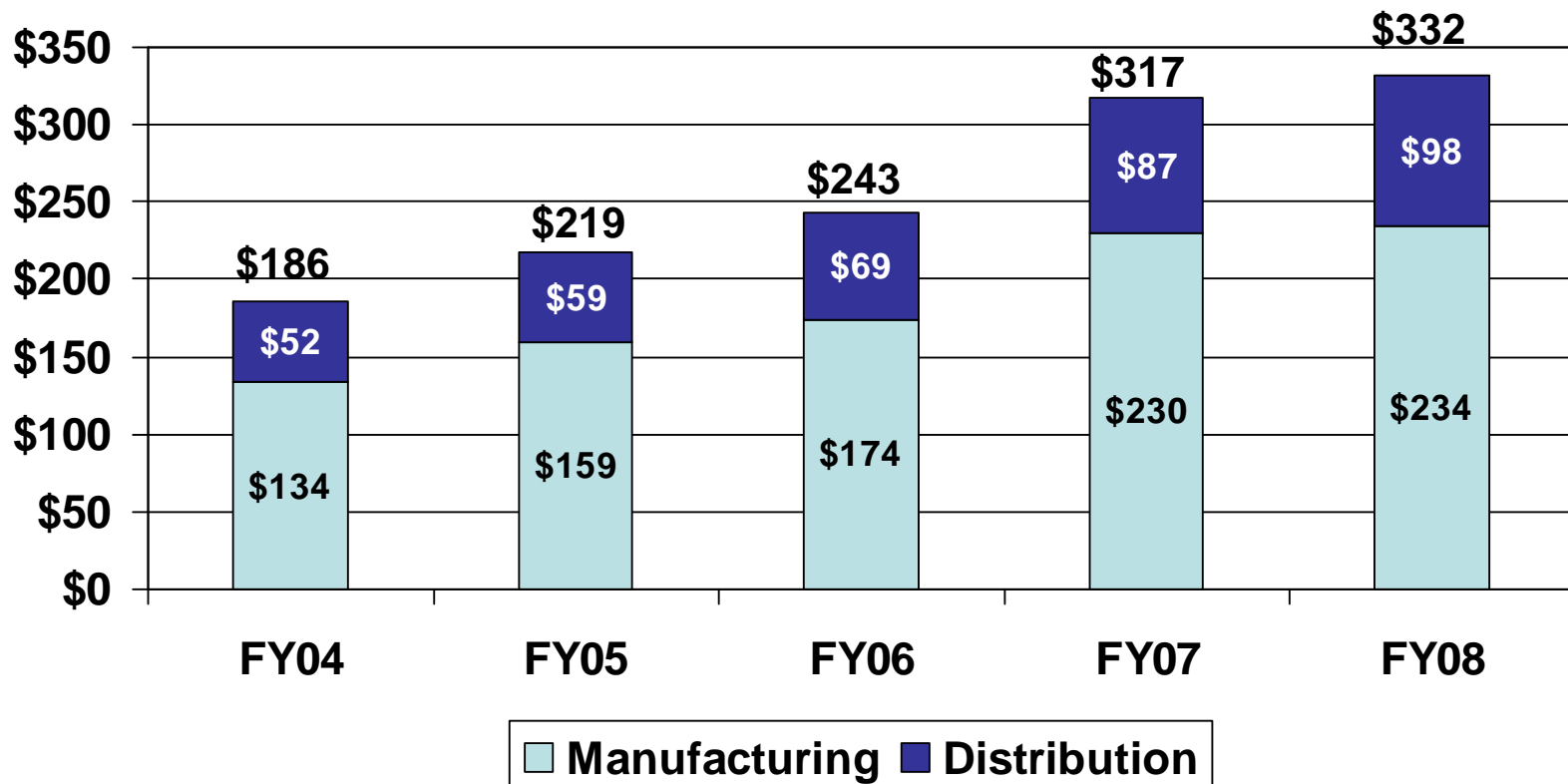
1st Fiscal Quarter Condensed Consolidated Statements of Operations

(\$ thousands, unaudited)	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Sales	\$ 72,671	\$ 73,613	\$ 65,774	\$ 49,577	\$ 45,382
Gross Profit	20,072 27.6%	23,851 32.4%	20,313 30.9%	14,404 29.1%	11,652 25.7%
MEA Expense	16,318 22.5%	14,694 20.0%	13,652 20.8%	10,147 20.5%	9,509 21.0%
Interest Expense	597	744	643	316	219
Misc. Exp/(Inc)	<u>(820)</u>	<u>(5)</u>	<u>(80)</u>	<u>(54)</u>	<u>(44)</u>
Pretax Earnings	3,977	8,418	6,098	3,995	1,968
Income Taxes	1,353	3,237	2,377	1,466	866
Minority Interest	(159)	(75)	(49)	(43)	(25)
Net Earnings	<u>\$ 2,465</u>	<u>\$ 5,106</u>	<u>\$ 3,672</u>	<u>\$ 2,486</u>	<u>\$ 1,077</u>
EBITDA	\$ 6,814	\$ 10,842	\$ 8,136	\$ 5,585	\$ 3,399
DILUTED EPS	\$ 0.22	\$ 0.44	\$ 0.31	\$ 0.21	\$ 0.09



Appendix VI

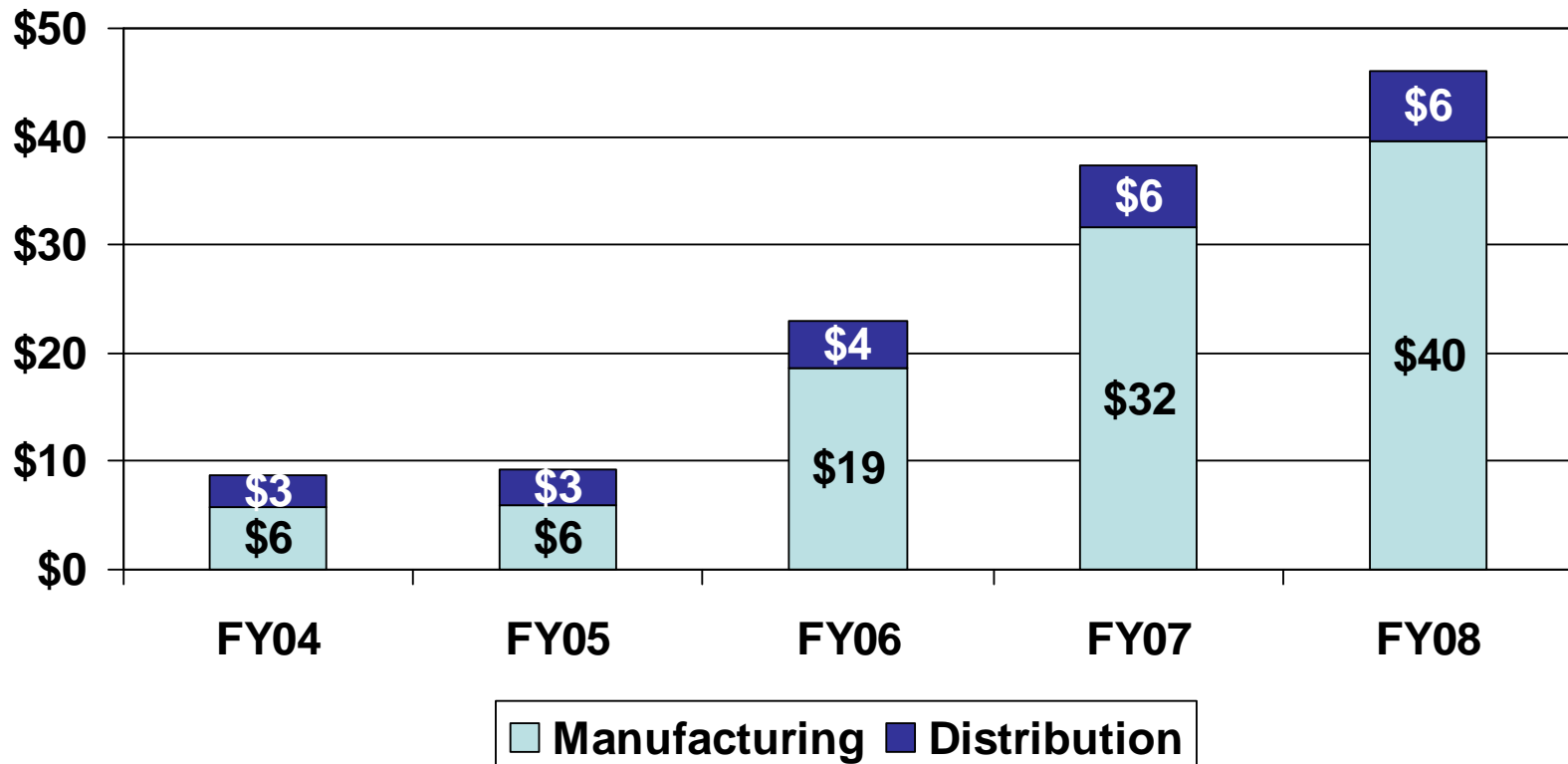
Net Sales by Segment





Appendix VII

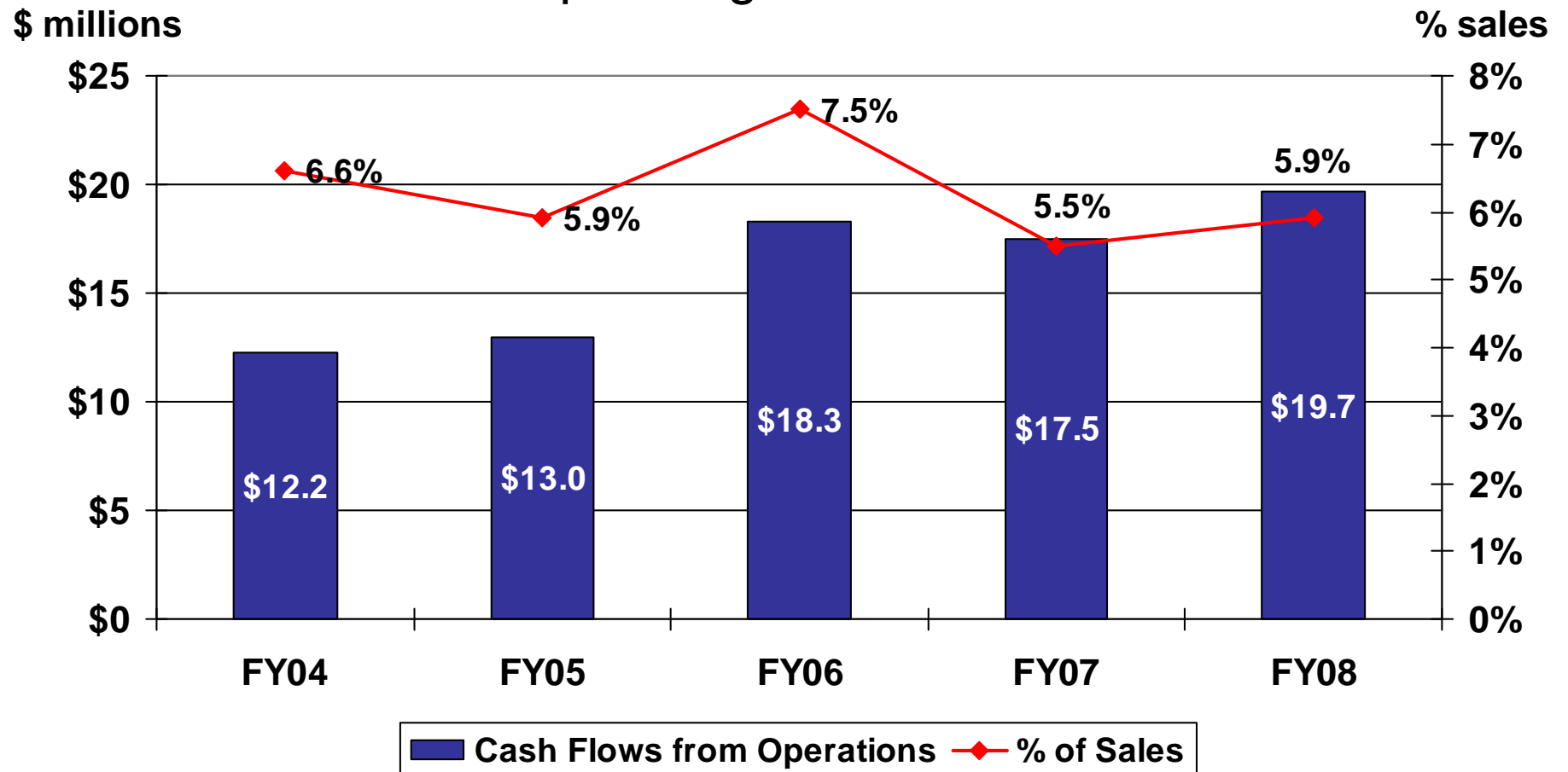
Net Earnings by Segment (before Corporate Expense)





Appendix VIII

Operating Cash Flows





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