



Twin Disc, Incorporated



**WE PUT HORSEPOWER TO WORK™**



# 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 2011 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 At A Glance



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

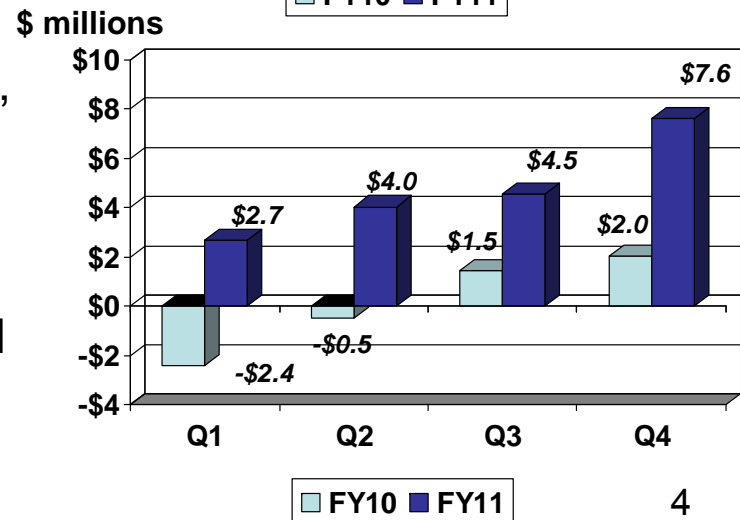
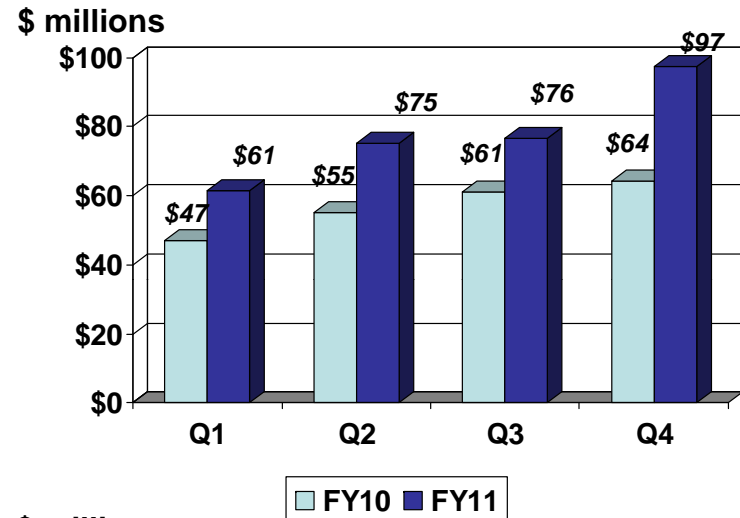
- Founded in 1918
- Headquartered in Racine, WI
- ≈941 employees (FYE '11)
- TTM Revenues of \$338M\*  
FY11 Revenues of \$310M  
FY10 Revenues of \$228M
- We are a global company
  - Well-known customers around the world
  - Mfg Operations in the U.S., Italy, Belgium, Switzerland and Japan (JV)
  - World-wide distributor network
  - Global: 59% of fiscal 2011 sales to international markets

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



# FY 2011 Financial Highlights

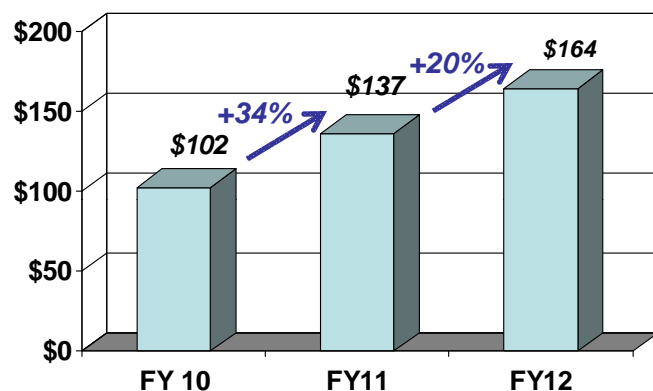
- Quarterly sequential sales & earnings improvement
  - Sales up over 36% vs. FY '10
  - Earnings up over \$18 million
- Key Markets
  - Oil & gas markets experienced strong growth in shipments and order backlog
  - Sales in the Pacific Rim continued strong, at record levels
  - Modest recovery in Mega Yacht and European markets off of fiscal '10 lows
  - Patrol boat business continued to expand
  - ARFF, Military and Commercial Marine were steady



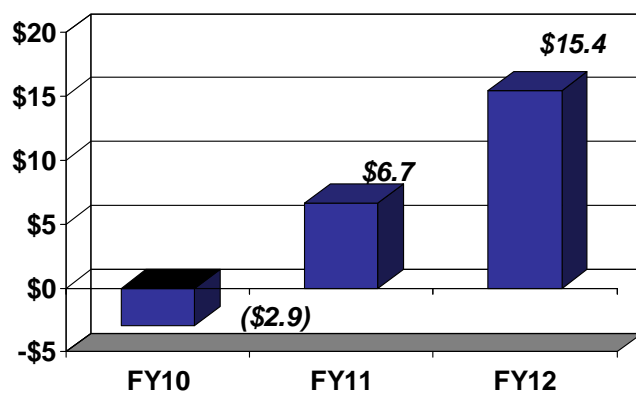


# Net Sales & Net Earnings (FY 2012 - First Six Months)

\$ millions



\$ millions



- Sales up 20%
  - Oil & gas markets strong
  - Most end markets showing growth
  - Record 6-month backlog as of Q1 \$165 million, Q2 = \$149 million
- \$15.4 million profit, up \$8.8 million
  - Record Diluted EPS of \$1.34
  - Record GM% of 36.7%



# Land-Based Products

- Industrial markets showing modest growth
  - Agriculture, irrigation, recycling and construction
- ARFF and Military holding steady
  - ARFF: Continue to increase market share with 'pump & roll' transmissions
- Oil & Gas markets picking up
  - Thru 1<sup>st</sup> half of fiscal 2012, orders and sales increasing globally for 8500 & air clutches
  - New 7500 series in production





# Marine & Propulsion Systems

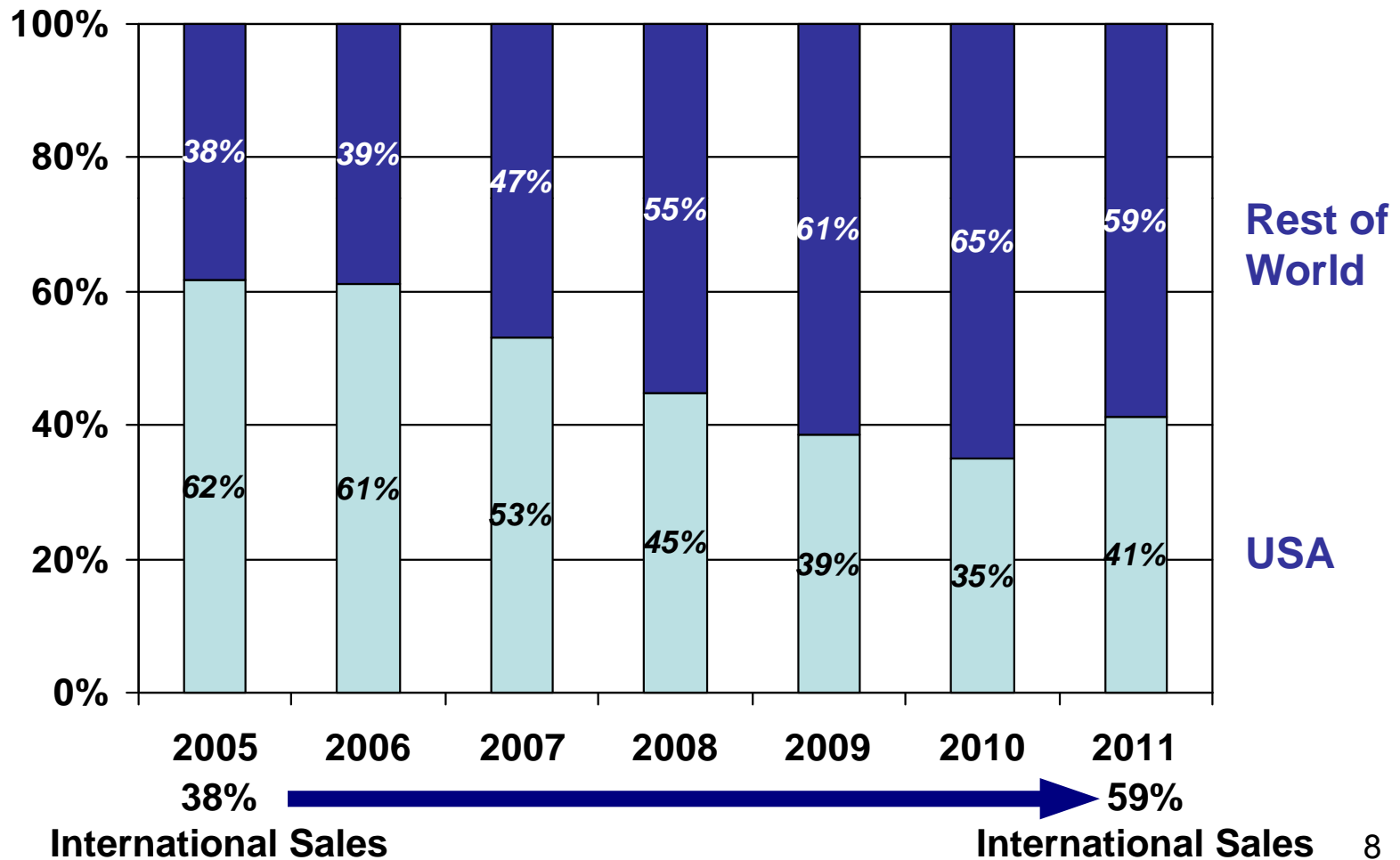
- Pleasure Craft market continues soft worldwide
  - However, building share of market with new technology
  - Modest growth in sales & backlog began in 2<sup>nd</sup> half of FY11
  - Cat announcements in Q1
- Work Boat market steady
  - Europe soft
  - North America picking up
  - Asia-Pacific continues to show positive long-term trends
- Patrol Boat market experiencing global growth
  - Asian market experiencing strong growth





# Corporate Profile – Geographic Diversity

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







# Managing Our Cost Structure

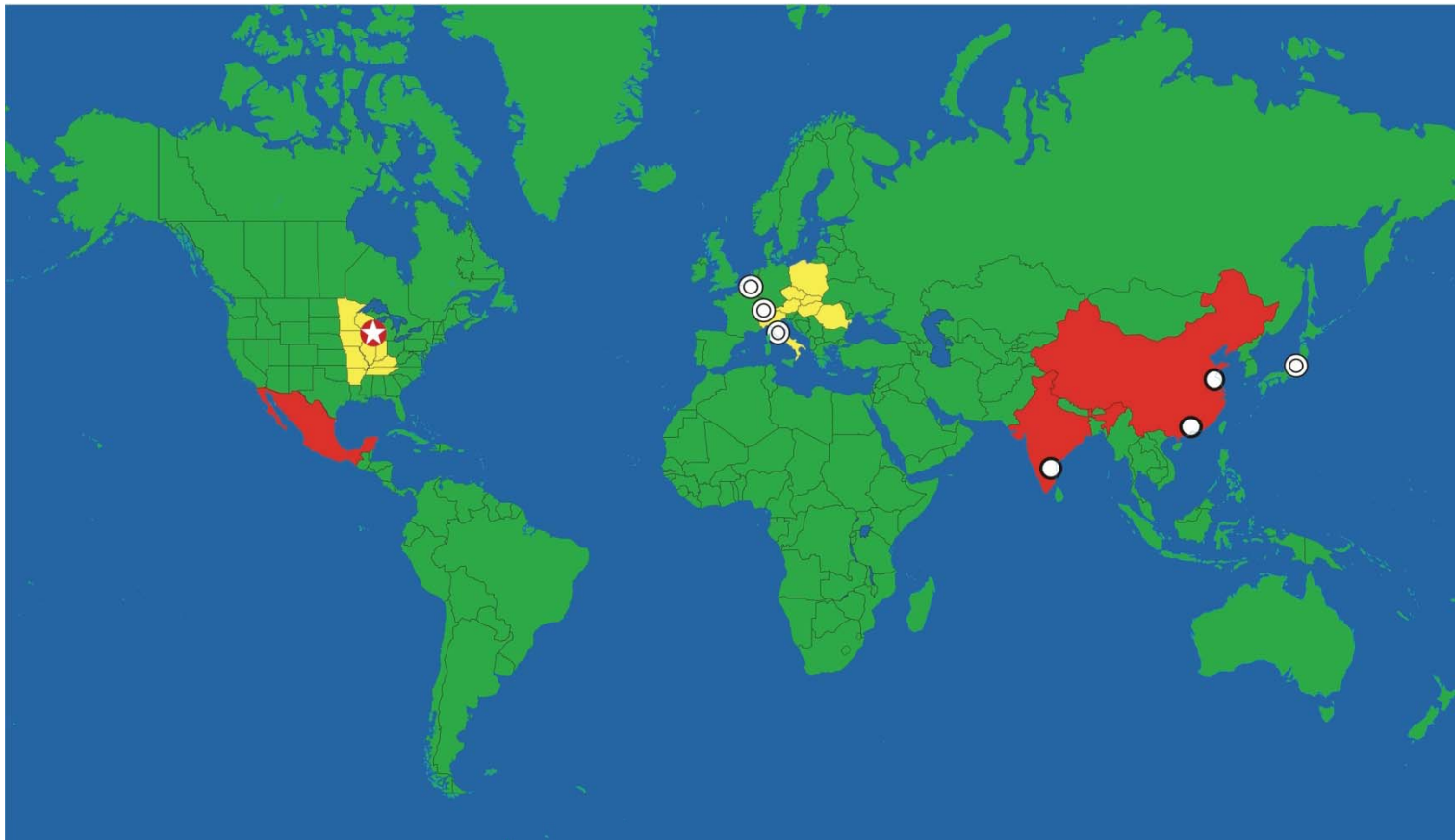
## CAPEX

- Investing in core competencies
- Expanding presence in low cost manufacturing locations
- Spent over \$77 million over past 7 yrs





# Managing Our Cost Structure



**Low Cost**   **Lower Cost**   ○ Sourcing Offices   ★ Corporate HQ/Mfg   ⊙ Mfg locations



# What Differentiates Us?

- Technology

- Oil & Gas

- 8500 Series
    - 7500 Series



- ARFF

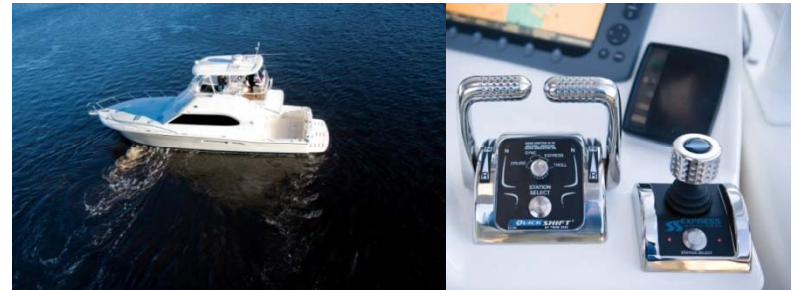
- “Pump & Roll”

- Military

- “Legacy” Contracts

- Marine

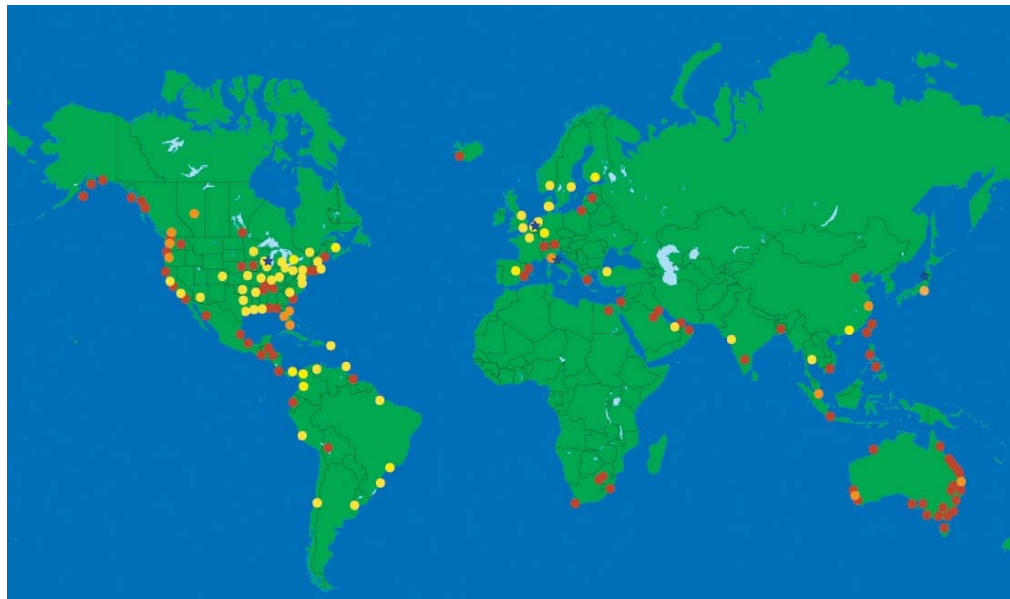
- Patented QuickShift®
    - Express Joystick System®



- Dynamic Positioning/DPII
    - Rolla CFD

# What Differentiates Us?

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



- ★ Mfg location
- Co.-owned dist.
- 3<sup>rd</sup> Party dist.
- Service dealers

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



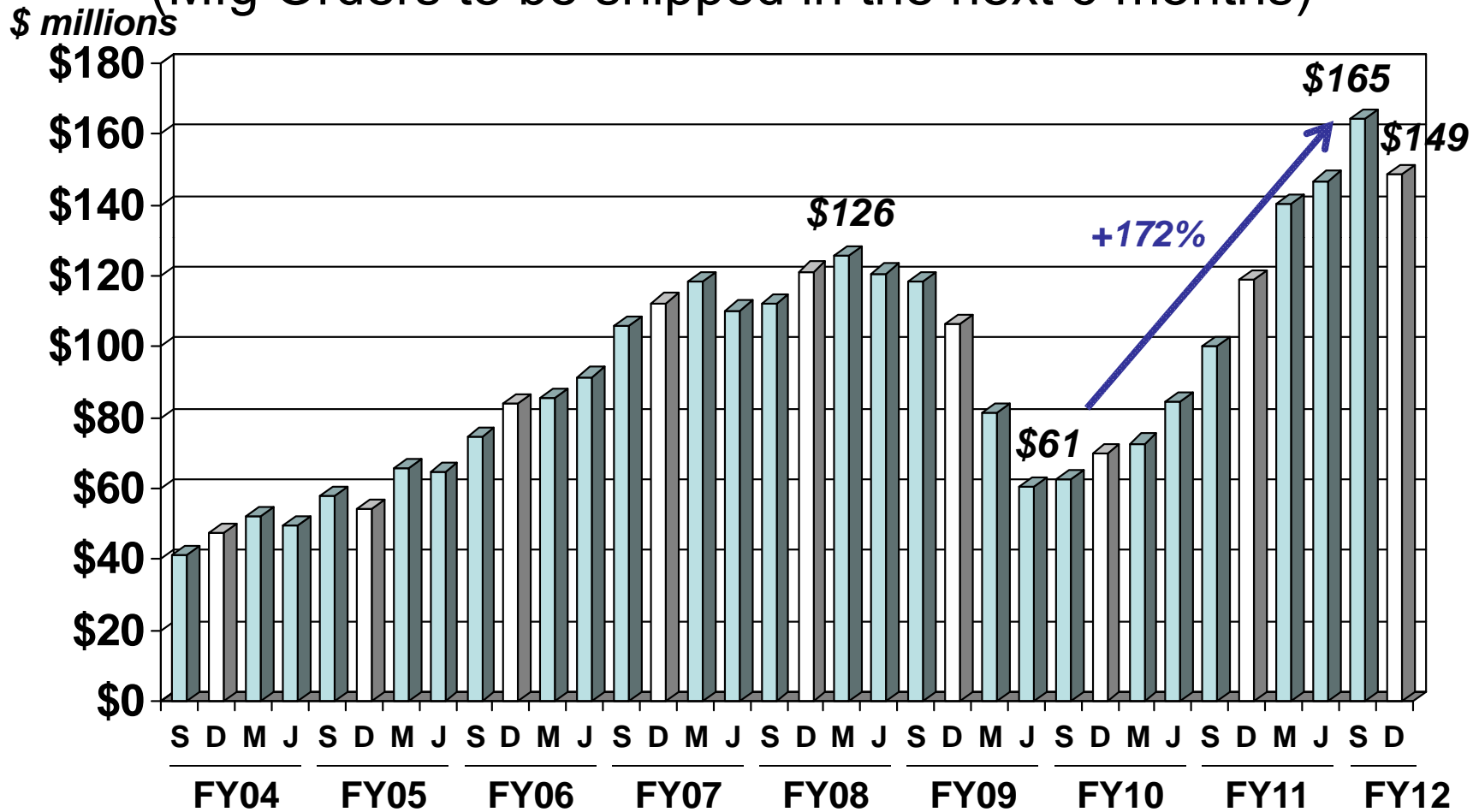
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# Looking Ahead



# Corporate Six Month Backlog

(Mfg Orders to be shipped in the next 6 months)





# Fiscal Year 2012 Outlook

- FY 2012 will be another strong year
- Oil and Gas experiencing record demand
  - Continuing introduction of 7500 Series Transmission
- Marine markets will remain mixed
  - Pleasure Craft improving off of low base – EJS impact
  - Work Boat, despite US Gulf, showing improvement
  - Patrol Boat market is expanding
- Industrial, ARFF & Military showing modest growth
- Asian market continues at record levels; Europe is slow; while US (excluding Oil and Gas) is improving modestly



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# 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

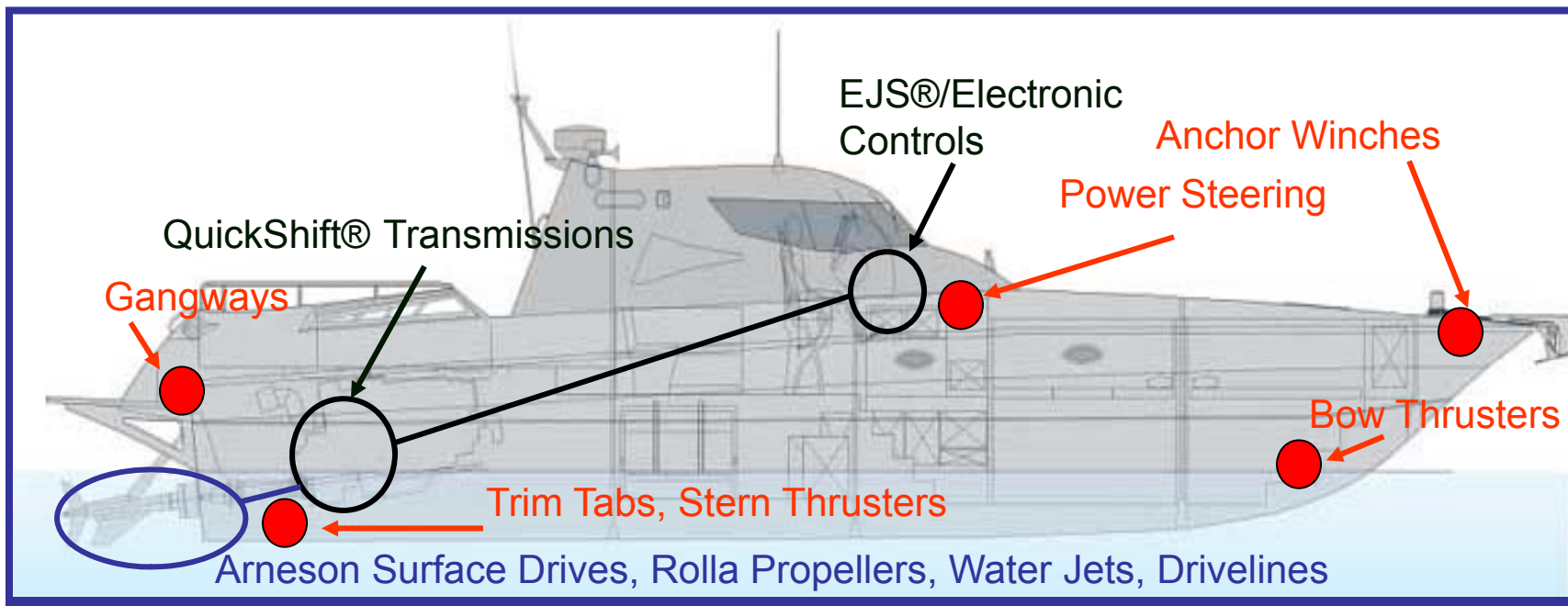
### Patrol Boat Market:

- **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, Stibel, Transfluid, WPT





## Corporate Profile – Market Diversity

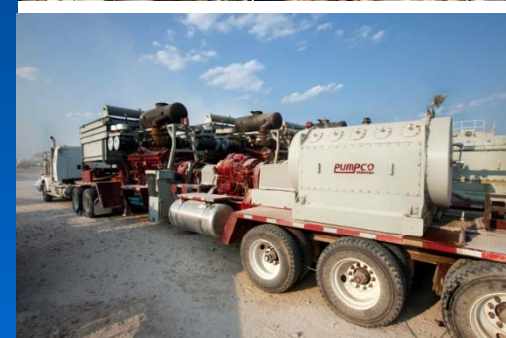
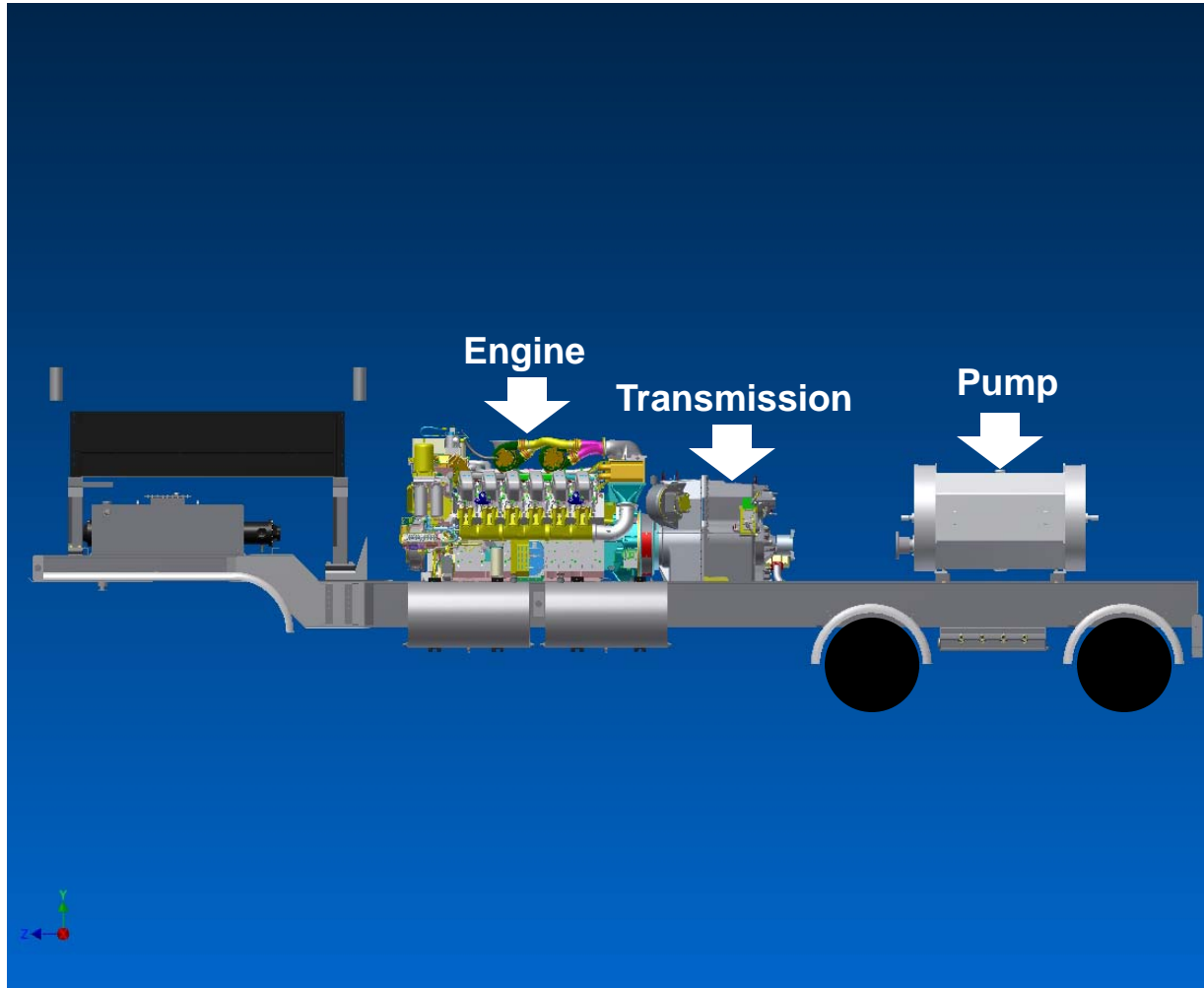
### Industrial Transmissions:

- *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





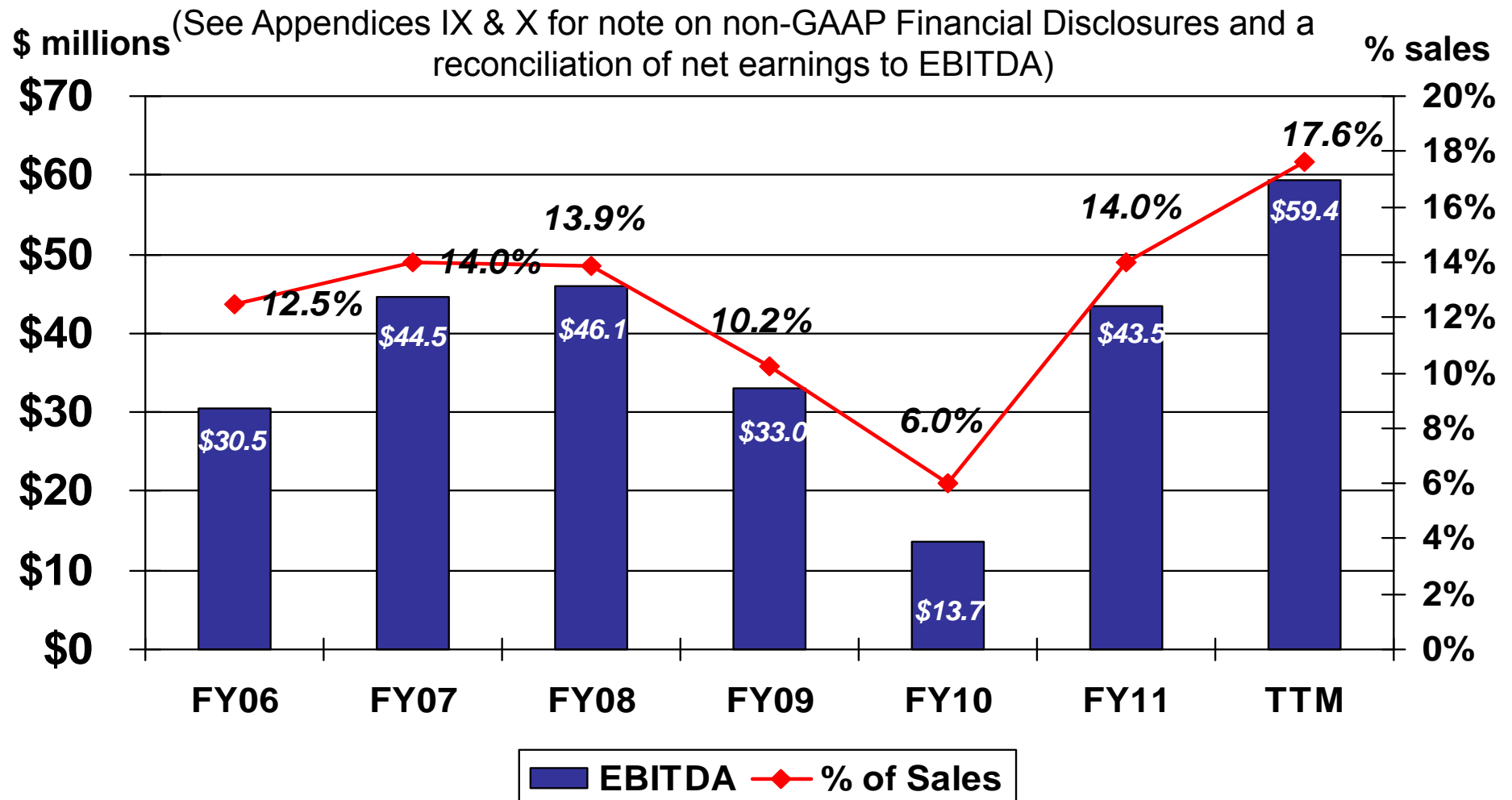
## Frac Rig Diagram







## 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>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Net Earnings</b>	<b>\$ 27,578</b>	<b>\$ 18,830</b>	<b>\$ 597</b>	<b>\$ 11,502</b>	<b>\$ 24,252</b>	<b>\$ 21,852</b>	<b>\$ 14,453</b>
Income Taxes	19,606	13,064	992	6,257	10,904	12,273	8,470
Interest Expense	1,580	1,719	2,282	2,487	3,038	3,154	1,718
Depreciation & Amortization	10,597	9,904	9,817	9,774	7,881	7,252	5,866
<b>Earnings before interest, taxes, depreciation and amortization</b>	<b>\$ 59,361</b>	<b>\$ 43,517</b>	<b>\$ 13,688</b>	<b>\$ 30,020</b>	<b>\$ 46,075</b>	<b>\$ 44,531</b>	<b>\$ 30,507</b>
<b>Net Sales</b>	<b>\$ 338,109</b>	<b>\$ 310,393</b>	<b>\$ 227,534</b>	<b>\$ 295,618</b>	<b>\$ 331,694</b>	<b>\$ 317,200</b>	<b>\$ 243,287</b>
<b>EBITDA as a % of Sales</b>	<b>17.6%</b>	<b>14.0%</b>	<b>6.0%</b>	<b>10.2%</b>	<b>13.9%</b>	<b>14.0%</b>	<b>12.5%</b>

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



## Reconciliation of TTM Data to Reported Quarterly Figures

	<b>FY 10**</b>	<b>Q1 11*</b>	<b>Q2 11*</b>	<b>Q3 11*</b>	<b>Q4 11*</b>	<b>FY 11**</b>	<b>Q1 12*</b>	<b>Q2 '12*</b>	<b>TTM</b>
Sales	\$ 227,534	\$ 61,395	\$ 75,160	\$ 76,471	\$ 97,367	\$ 310,393	\$ 81,330	\$ 82,941	\$ 338,109
Gross Profit	60,465	20,023	23,757	27,782	36,121	107,683	30,768	29,562	124,233
Operating Income	3,085	5,246	5,118	10,728	13,624	34,716	14,859	9,465	48,676
Interest Exp	2,282	439	440	430	410	1,719	359	381	1,580
Net Earnings	597	2,656	4,034	4,548	7,592	18,830	9,581	5,857	27,578
EPS, Diluted	\$ 0.05	\$ 0.24	\$ 0.35	\$ 0.40	\$ 0.66	\$ 1.64	\$ 0.83	\$ 0.51	\$ 2.40
EPS, Basic	\$ 0.05	\$ 0.24	\$ 0.36	\$ 0.40	\$ 0.67	\$ 1.66	\$ 0.84	\$ 0.51	\$ 2.42
CAPEX	4,456	1,247	1,668	1,184	7,929	12,028	3,587	3,306	16,006
Deprec.	9,817	2,272	2,346	2,365	2,921	9,904	2,573	2,738	10,597
Oper Cash Flow	35,116	3,503	4,980	(4,417)	9,794	13,860	(1,196)	(1,858)	2,323
Dividends	3,133	792	794	908	917	3,411	914	914	3,653
									-
Pretax Income	1,722	4,253	4,589	10,105	13,082	32,029	14,894	9,234	47,315
Taxes	992	1,556	529	5,563	5,416	13,064	5,259	3,368	19,606

\* Quarterly 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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Sales</b>	\$ 338,109	\$ 310,393	\$ 227,534	\$ 295,618	\$ 331,694	\$ 317,200
<b>Gross Profit</b>	124,233 36.7%	107,683 34.7%	60,465 26.6%	81,443 27.6%	104,868 31.6%	102,909 32.4%
<b>MEA Expense</b>	75,303 22.3%	72,713 23.4%	56,886 25.0%	60,470 20.5%	66,349 20.0%	63,267 19.9%
<b>Restructuring</b>	254	254	494	1,188	(373)	2,652
<b>Interest Expense</b>	1,580	1,719	2,282	2,487	3,038	3,154
<b>Misc. Exp/(Inc)</b>	<u>(219)</u>	<u>968</u>	<u>(919)</u>	<u>(747)</u>	<u>606</u>	<u>(493)</u>
<b>Pretax Earnings</b>	47,315	32,029	1,722	18,045	35,248	34,329
<b>Income Taxes</b>	19,606	13,064	992	6,257	10,904	12,273
<b>Minority Interest</b>	<u>(131)</u>	<u>(135)</u>	<u>(133)</u>	<u>(286)</u>	<u>(92)</u>	<u>(204)</u>
<b>Net Earnings</b>	<u>\$ 27,578</u>	<u>\$ 18,830</u>	<u>\$ 597</u>	<u>\$ 11,502</u>	<u>\$ 24,252</u>	<u>\$ 21,852</u>
<b>EBITDA</b>	\$ 59,361	\$ 43,517	\$ 13,688	\$ 33,020	\$ 46,075	\$ 44,531
<b>DILUTED EPS</b>	\$ 2.40	\$ 1.64	\$ 0.05	\$ 1.03	\$ 2.13	\$ 1.84

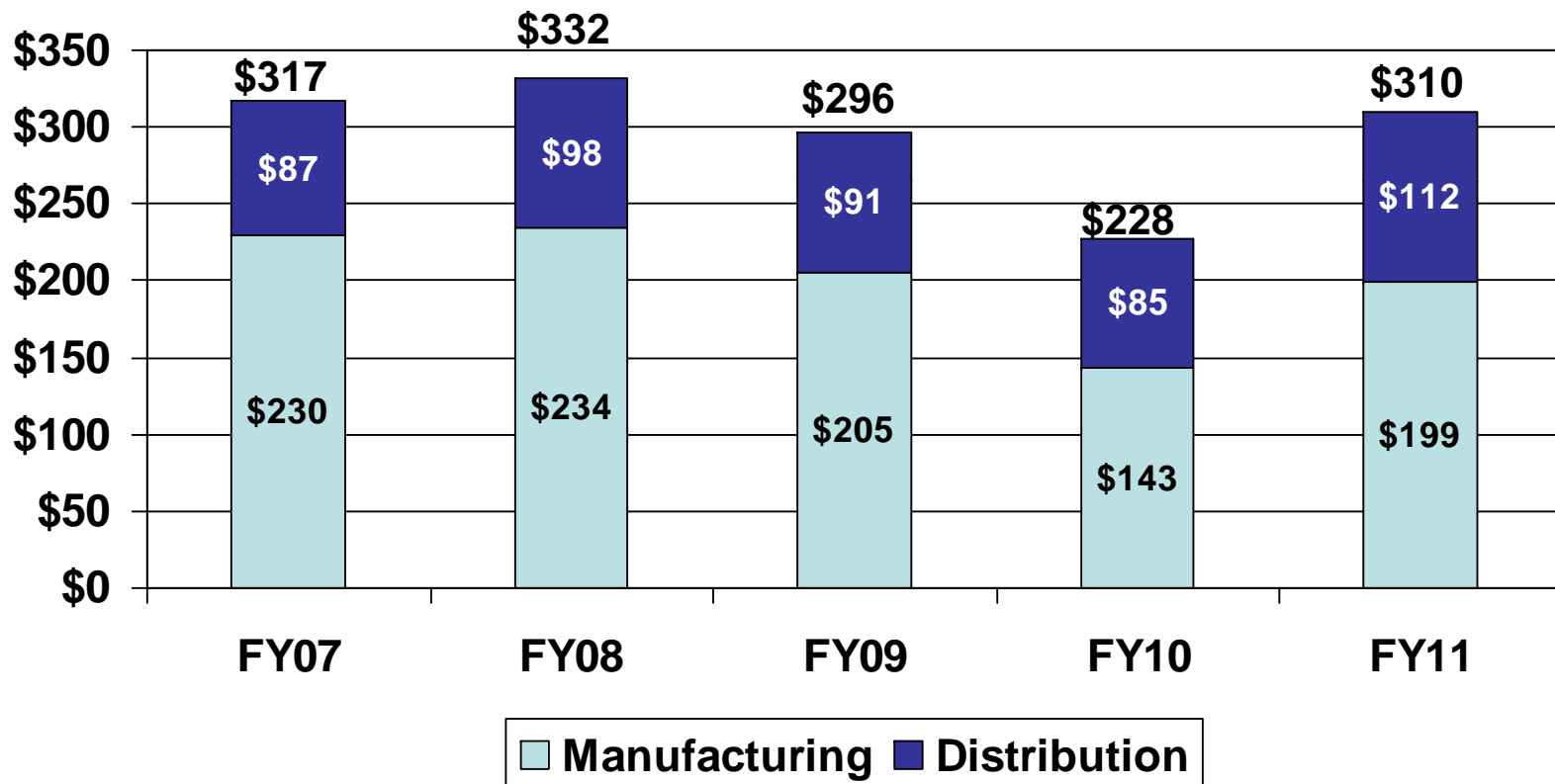
\* Represents trailing four quarter figures as of the quarter ending December 30, 2011.  
See Appendix XI for reconciliation of TTM figures to reported figures.

2<sup>nd</sup> Fiscal Qtr Condensed Consolidated Statements of Operations

(\$ thousands, unaudited)	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Sales</b>	\$ 82,941	\$ 75,160	\$ 55,186	\$ 81,598	\$ 81,894
<b>Gross Profit</b>	29,562 35.6%	23,757 31.6%	14,786 26.8%	22,953 28.1%	25,346 30.9%
<b>MEA Expense</b>	20,097 24.2%	18,639 24.8%	14,895 27.0%	17,008 20.8%	17,378 21.2%
<b>Interest Expense</b>	381	440	563	714	825
<b>Misc. Exp/(Inc)</b>	<u>(150)</u>	<u>89</u>	<u>137</u>	<u>(192)</u>	<u>179</u>
<b>Pretax Earnings</b>	9,234	4,589	(809)	5,423	6,964
<b>Income Taxes</b>	3,368	529	(300)	1,924	2,729
<b>Minority Interest</b>	(9)	(26)	19	(66)	(26)
<b>Net Earnings</b>	<u>\$ 5,857</u>	<u>\$ 4,034</u>	<u>\$ (490)</u>	<u>\$ 3,433</u>	<u>\$ 4,209</u>
<b>EBITDA</b>	\$ 12,344	\$ 7,349	\$ 2,270	\$ 8,426	\$ 9,568
<b>DILUTED EPS</b>	\$ 0.51	\$ 0.35	\$ (0.04)	\$ 0.31	\$ 0.37

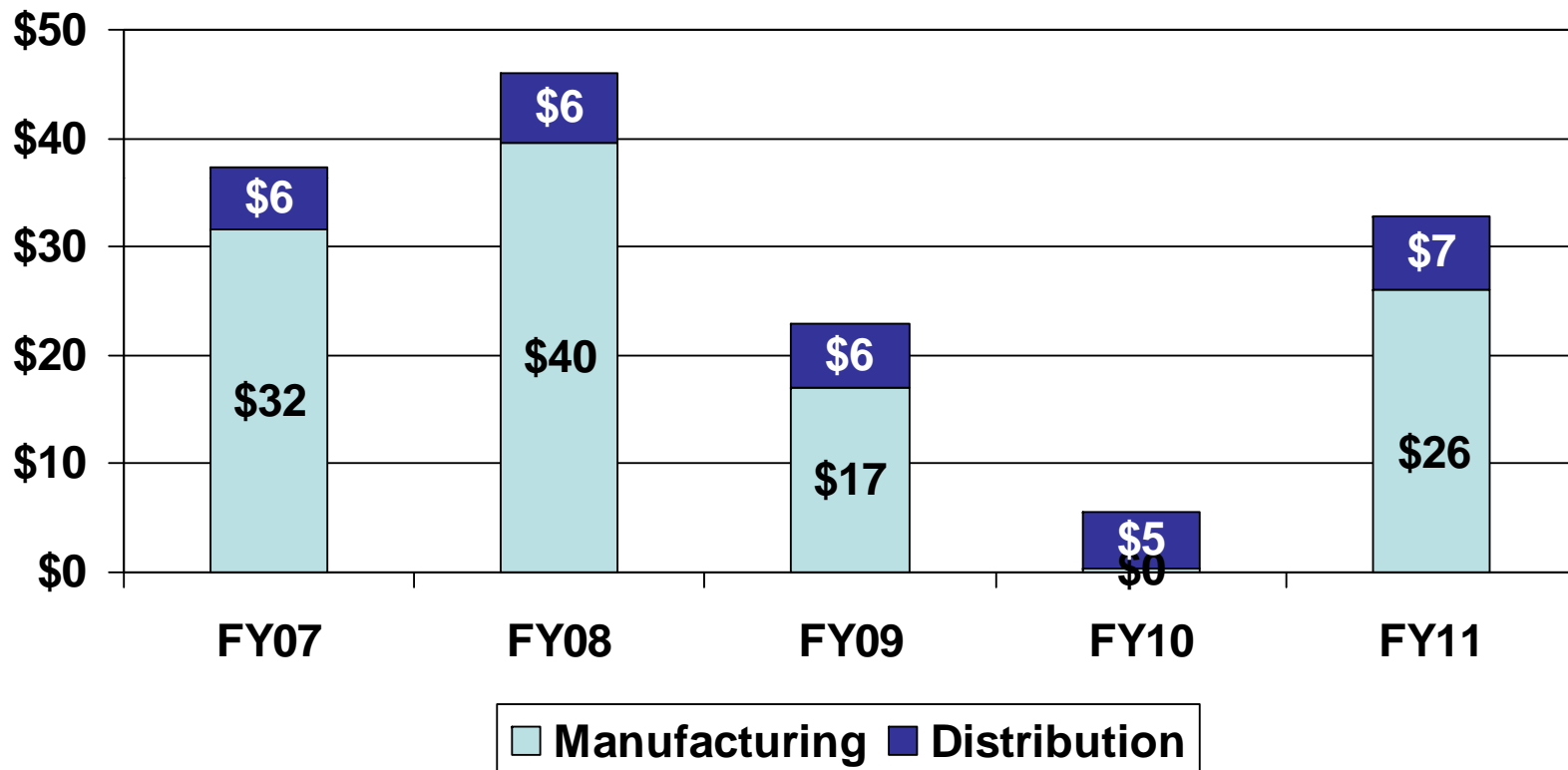


## Historical Net Sales by Segment





## 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.



Twin Disc, Incorporated

