



Twin Disc, Incorporated



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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 2009 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
- FY09 Revenues of \$296M
- 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 (JV)
 - World-wide distributor network
 - 61% of fiscal 2009 sales to international markets



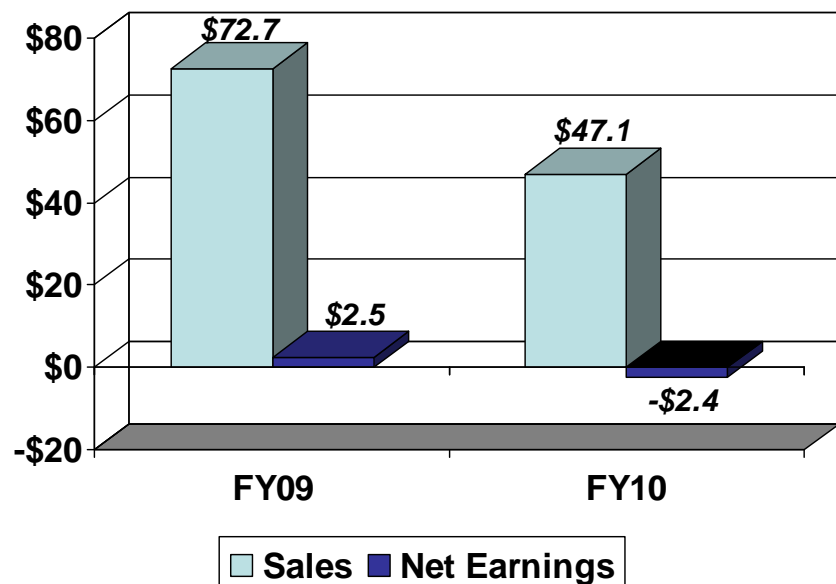
FY 2009 Financial Highlights

- Sales were down 10.8% versus FY 2008
 - 1st Half: down less than 1% off record '08 levels
 - 2nd Half: down nearly 20% off record '08 levels
- Key Markets
 - Mega Yacht, Oil & Gas and Industrial markets saw significant fall off as the year progressed
 - ARFF, Military and Commercial Marine were steady
 - Sales in the Pacific Rim continued at record pace and experienced double-digit growth
- \$25 million cost reduction and avoidance program announced in 4th Fiscal Quarter, including significant 1st Fiscal Quarter 2010 temporary plant shutdowns



Net Sales & Net Earnings (First Fiscal Quarter)

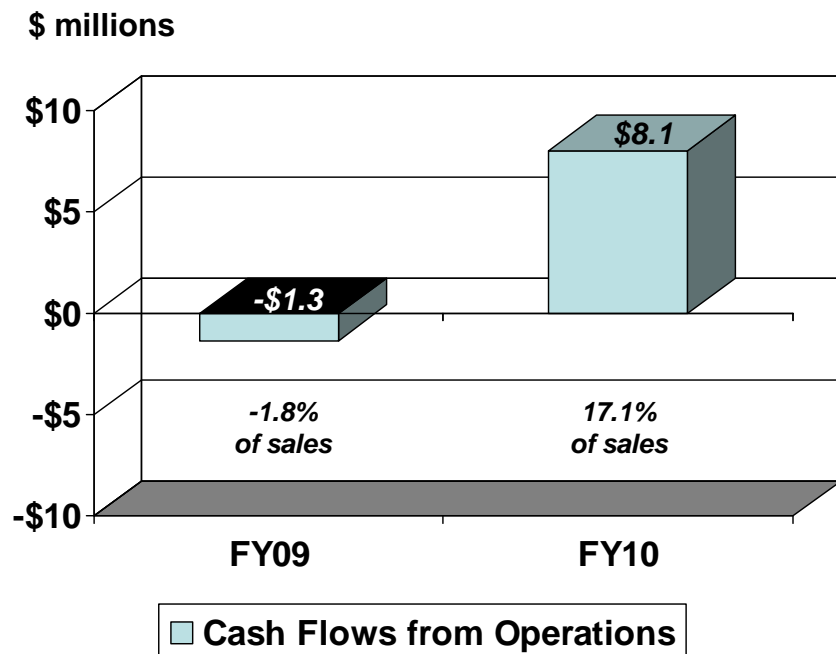
\$ millions



- Sales down 35% off record levels
 - Experienced continued softness
 - Seasonal and temporary plant shutdowns impacted Q1 shipments
 - Asian markets continued at record levels
- \$2.4 million loss
 - Reflects extended plant shutdowns in Q1 at European and US manufacturing locations



Operating Cash Flows (First Fiscal Quarter)



- Generated \$8.1 million of operating cash flow in Q1
 - Continue to focus on inventory and receivables management
- Debt Reduction & Cash
 - Revolver balance has decreased \$7.2 million over the past 2 quarters
 - As of September 25, 2009, nearly \$14 million of available borrowing on revolver & over \$17 million of cash
 - In compliance with all financial covenants



Marine & Propulsion Systems

- Pleasure Craft market soft worldwide
 - However, building share of market with new technology
- Work Boat market steady
 - Europe soft
 - North America moderating
 - Asia-Pacific growing
- Patrol Boat market experiencing global growth
 - Asian market experiencing strong growth



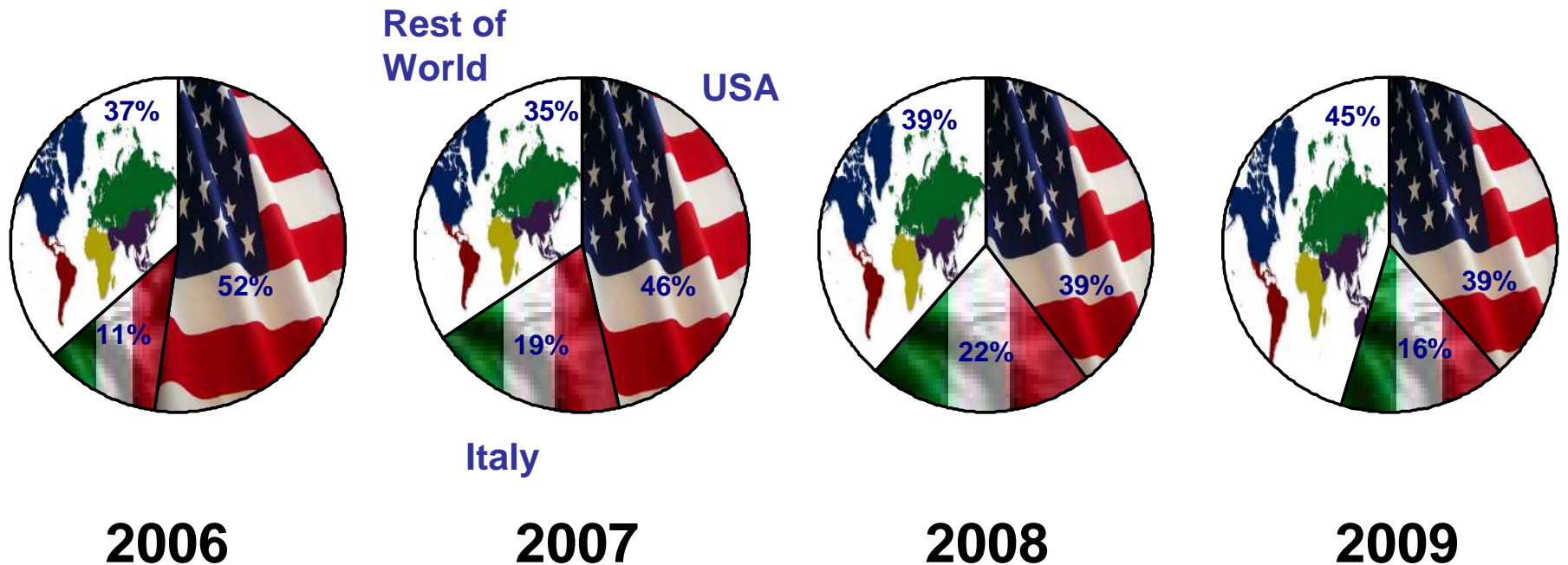


Land-Based Products

- Industrial markets soft
 - Agriculture, irrigation, recycling and construction
 - No impact from ‘stimulus’
- ARFF and Military holding steady
 - ARFF: Continue to increase market share with ‘pump & roll’ transmissions
- Oil & Gas markets picking up
 - Orders increasing globally for 8500 & air clutches
 - New 7500 series



Corporate Profile – Geographic Diversity



48% International Sales 61% International Sales

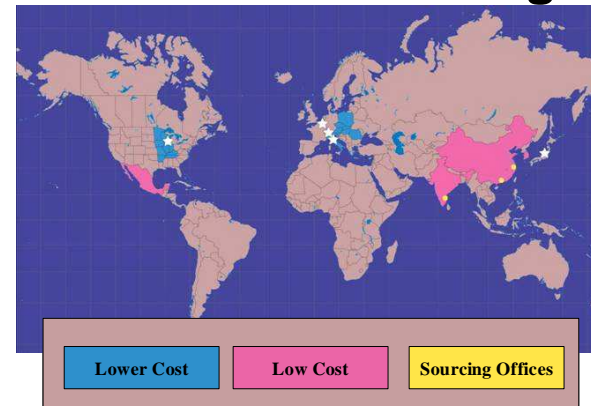


Managing Our Cost Structure

CAPEX



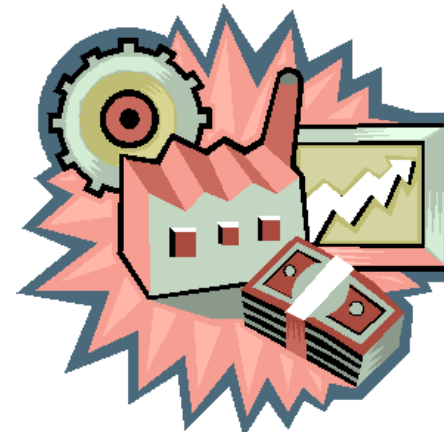
Global Outsourcing



\$25 million Global Cost Reduction & Avoidance Program

- Pension freeze
- Salary & wage reductions
- Temporary layoffs in US
- Government-sponsored programs in Europe
- ME&A cost reductions
- Restructuring
- Voluntary retirement packages
- Suspension of corporate incentive program

Lean Manufacturing





What Differentiates Us?

- Technology
 - Oil & Gas
 - 8500 Series
 - 7500 Series – [new in Fiscal 2010](#)
 - ARFF
 - “Pump & Roll”
 - Military
 - “Legacy” Contracts
 - Marine
 - Patented QuickShift®
 - Joystick Docking – [new in Fiscal 2010](#)
 - Dynamic Positioning/DP 2
 - Rolla CFD
- Global Distribution and Service Network
- Product/Market & Geographic Diversity
- Niche Market Focus
- 90+ Years of Proven Application Know-How
- Core Manufacturing Capabilities



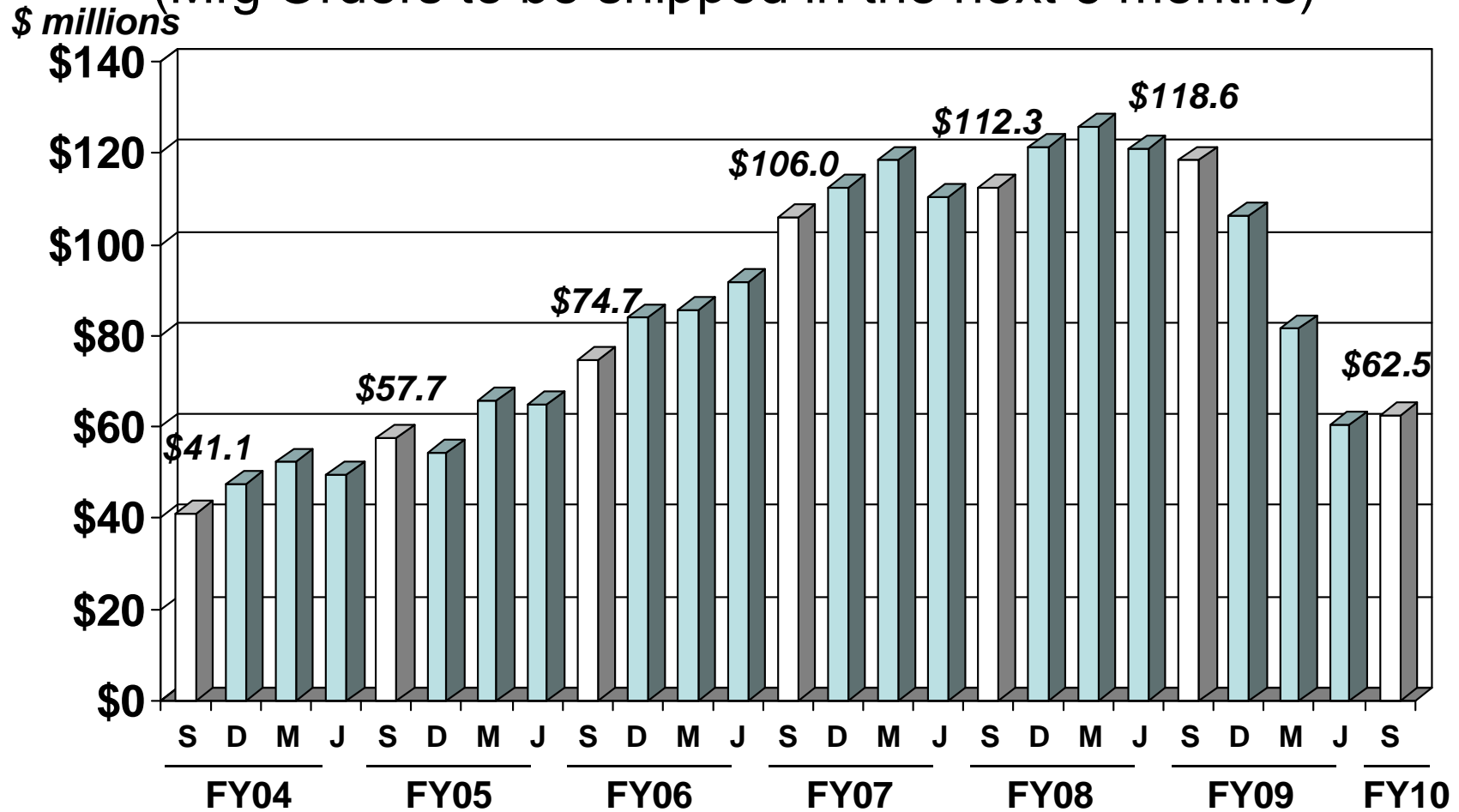
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Looking Ahead



Corporate Six Month Backlog

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





Fiscal Year 2010 Outlook

- FY09 softness expected to continue thru 1st half of FY10
- Mega Yacht – weakness expected to continue
- ARFF & Military will remain strong
- Oil & Gas – order activity is increasing
- Patrol Boat market expanding
- Asian market continues at record levels
- New product launches: 7500 & Joystick Docking
- “Cash is King” – continued focus on working capital management and debt reduction
- Expect sequential quarterly improvements



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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
- *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, Groupe Bourbon)
- **Competition:** ZF, Reintjes / Kamewa, Hamilton





Corporate Profile – Market Diversity

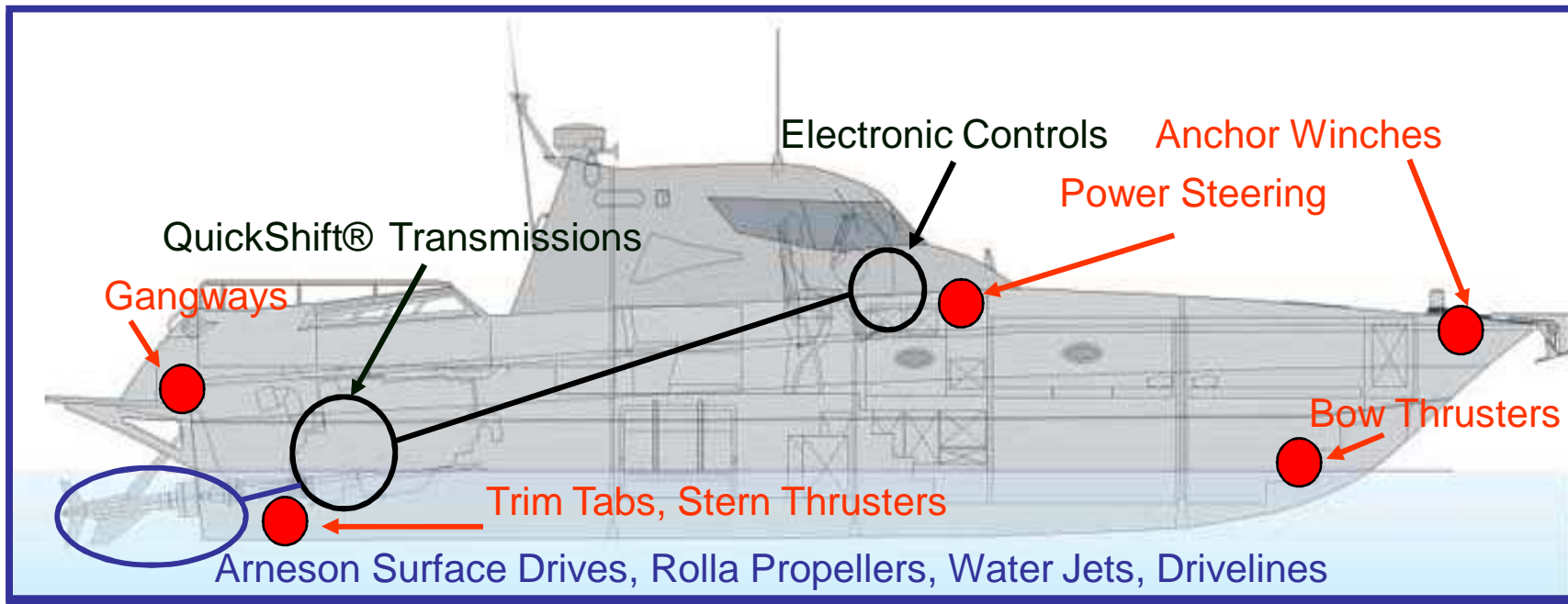
Patrol Boat Market:

- *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
- *Channels:* Engine OEMs & dealers, naval authorities & 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



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

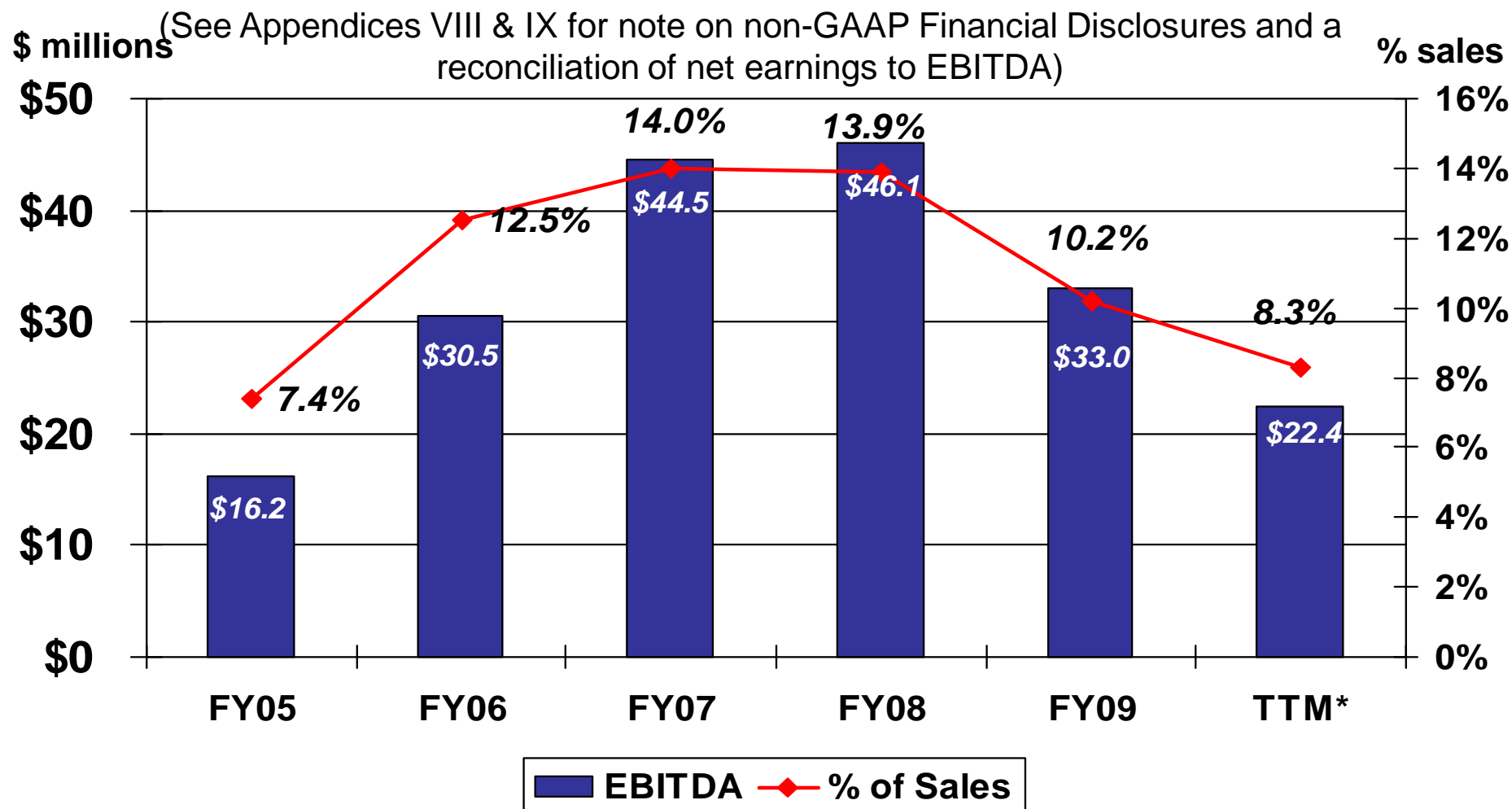
Industrial Transmissions:

- *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, Trican, Tai'an
- *Competitors:* Allison, ZF





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>	TTM	2009	2008	2007	2006	2005
Net Earnings	\$ 6,633	\$ 11,502	\$ 24,252	\$ 21,852	\$ 14,453	\$ 6,910
Income Taxes	3,506	6,257	10,904	12,273	8,470	2,485
Interest Expense	2,509	2,487	3,038	3,154	1,718	1,134
Depreciation & Amortization	9,750	9,774	7,881	7,252	5,866	5,677
Earnings before interest, taxes, depreciation and amortization	\$ 22,398	\$ 30,020	\$ 46,075	\$ 44,531	\$ 30,507	\$ 16,206
Net Sales	\$ 270,004	\$ 295,618	\$ 331,694	\$ 317,200	\$ 243,287	\$ 218,472
EBITDA as a % of Sales	8.3%	10.2%	13.9%	14.0%	12.5%	7.4%

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



Reconciliation of TTM Data to Reported Quarterly Figures

	<u>Q1 09*</u>	<u>Q2 09*</u>	<u>Q3 09*</u>	<u>Q4 09</u>	<u>FY 09**</u>	<u>Q1 10*</u>	<u>TTM</u>
Sales	\$ 72,671	\$ 81,598	\$ 69,292	\$ 72,057	\$ 295,618	\$ 47,057	\$ 270,004
Gross Profit	20,072	22,953	19,151	19,267	81,443	9,747	71,118
Operating Income	3,754	5,945	4,634	5,452	19,785	(3,031)	13,000
Interest Exp	597	714	526	650	2,487	619	2,509
Net Earnings	2,465	3,433	2,850	2,754	11,502	(2,404)	6,633
EPS, Diluted	\$ 0.22	\$ 0.30	\$ 0.26	\$ 0.25	\$ 1.03	\$ (0.22)	\$ 0.59
EPS, Basic	\$ 0.22	\$ 0.31	\$ 0.26	\$ 0.25	\$ 1.04	\$ (0.22)	\$ 0.60
CAPEX	1,679	2,972	1,980	2,264	8,895	1,031	8,247
Deprec.	2,399	2,355	2,554	2,466	9,774	2,375	9,750
Oper Cash Flow	(1,292)	4,023	(2,483)	11,215	11,463	8,066	20,821
Dividends	789	789	755	772	3,105	783	3,099
Pretax Income	3,977	5,423	3,059	5,586	18,045	(3,710)	10,358
Taxes	1,353	1,924	362	2,618	6,257	(1,398)	3,506

* 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

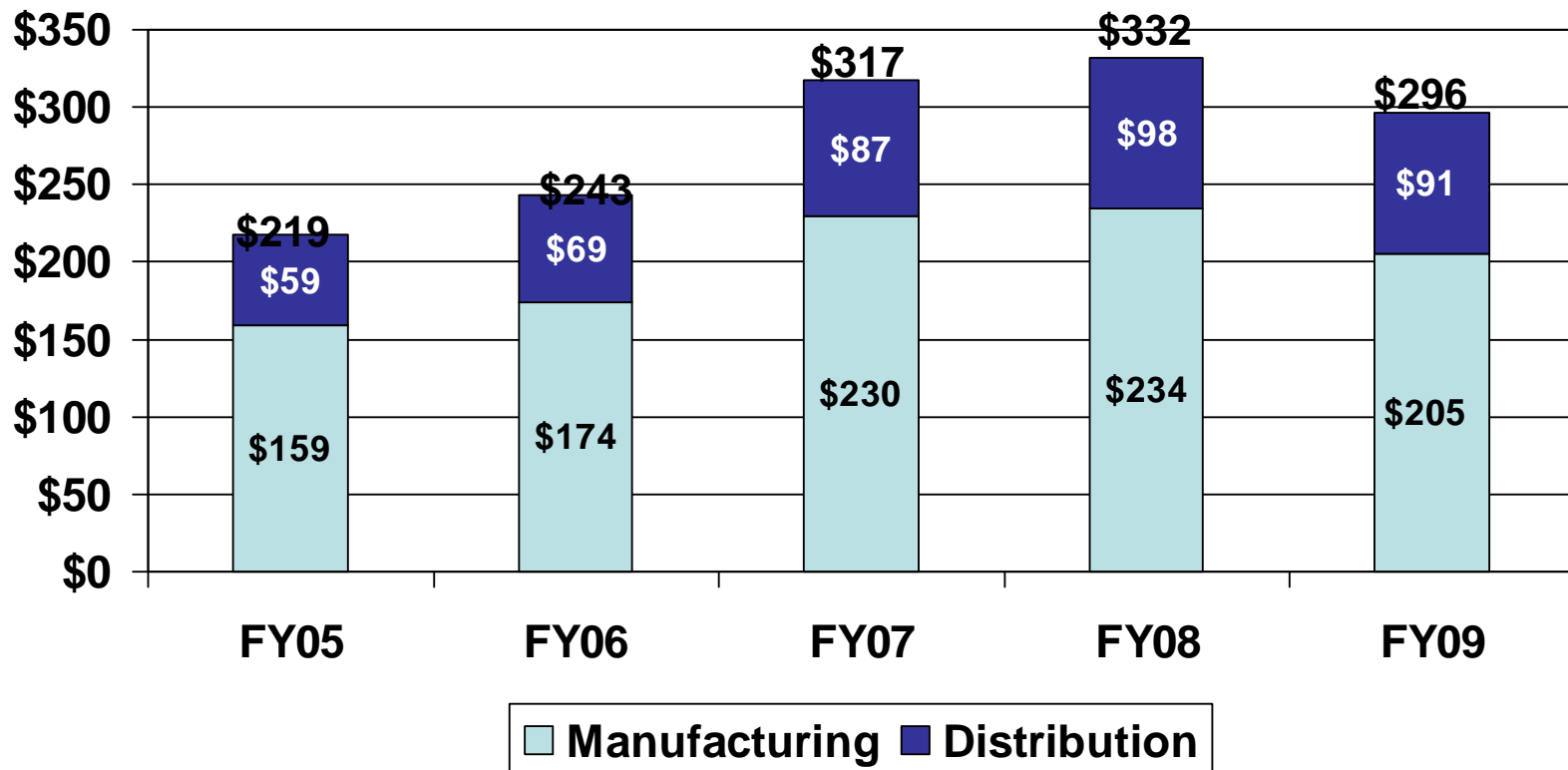
(\$ thousands, per Form 10-K)	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Sales	\$ 295,618	\$ 331,694	\$ 317,200	\$ 243,287	\$ 218,472
Gross Profit	81,443 27.6%	104,868 31.6%	102,909 32.4%	74,390 30.6%	57,420 26.3%
MEA Expense	60,470 20.5%	66,349 20.0%	63,267 19.9%	49,606 20.4%	44,666 20.4%
Restructuring	1,188	(373)	2,652	-	2,076
Interest Expense	2,487	3,038	3,154	1,718	1,134
Misc. Exp/(Inc)	<u>(747)</u>	<u>606</u>	<u>(493)</u>	<u>14</u>	<u>52</u>
Pretax Earnings	18,045	35,248	34,329	23,052	9,492
Income Taxes	6,257	10,904	12,273	8,470	2,485
Minority Interest	<u>(286)</u>	<u>(92)</u>	<u>(204)</u>	<u>(129)</u>	<u>(97)</u>
Net Earnings	<u>\$ 11,502</u>	<u>\$ 24,252</u>	<u>\$ 21,852</u>	<u>\$ 14,453</u>	<u>\$ 6,910</u>
EBITDA	\$ 33,020	\$ 46,075	\$ 44,531	\$ 30,507	\$ 16,206
DILUTED EPS	\$ 1.03	\$ 2.13	\$ 1.84	\$ 1.22	\$ 0.59

1st Fiscal Qtr Condensed Consolidated Statements of Operations

(\$ thousands, unaudited)	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Sales	\$ 47,057	\$ 72,671	\$ 73,613	\$ 65,774	\$ 49,577
Gross Profit	9,747 20.7%	20,072 27.6%	23,851 32.4%	20,313 30.9%	14,404 29.1%
MEA Expense	12,778 27.2%	16,318 22.5%	14,694 20.0%	13,652 20.8%	10,147 20.5%
Interest Expense	619	597	744	643	316
Misc. Exp/(Inc)	<u>60</u>	<u>(820)</u>	<u>(5)</u>	<u>(80)</u>	<u>(54)</u>
Pretax Earnings	(3,710)	3,977	8,418	6,098	3,995
Income Taxes	(1,398)	1,353	3,237	2,377	1,466
Minority Interest	(92)	(159)	(75)	(49)	(43)
Net Earnings	<u>\$ (2,404)</u>	<u>\$ 2,465</u>	<u>\$ 5,106</u>	<u>\$ 3,672</u>	<u>\$ 2,486</u>
EBITDA	\$ (808)	\$ 6,814	\$ 10,842	\$ 8,136	\$ 5,585
DILUTED EPS	\$ (0.22)	\$ 0.22	\$ 0.44	\$ 0.31	\$ 0.21

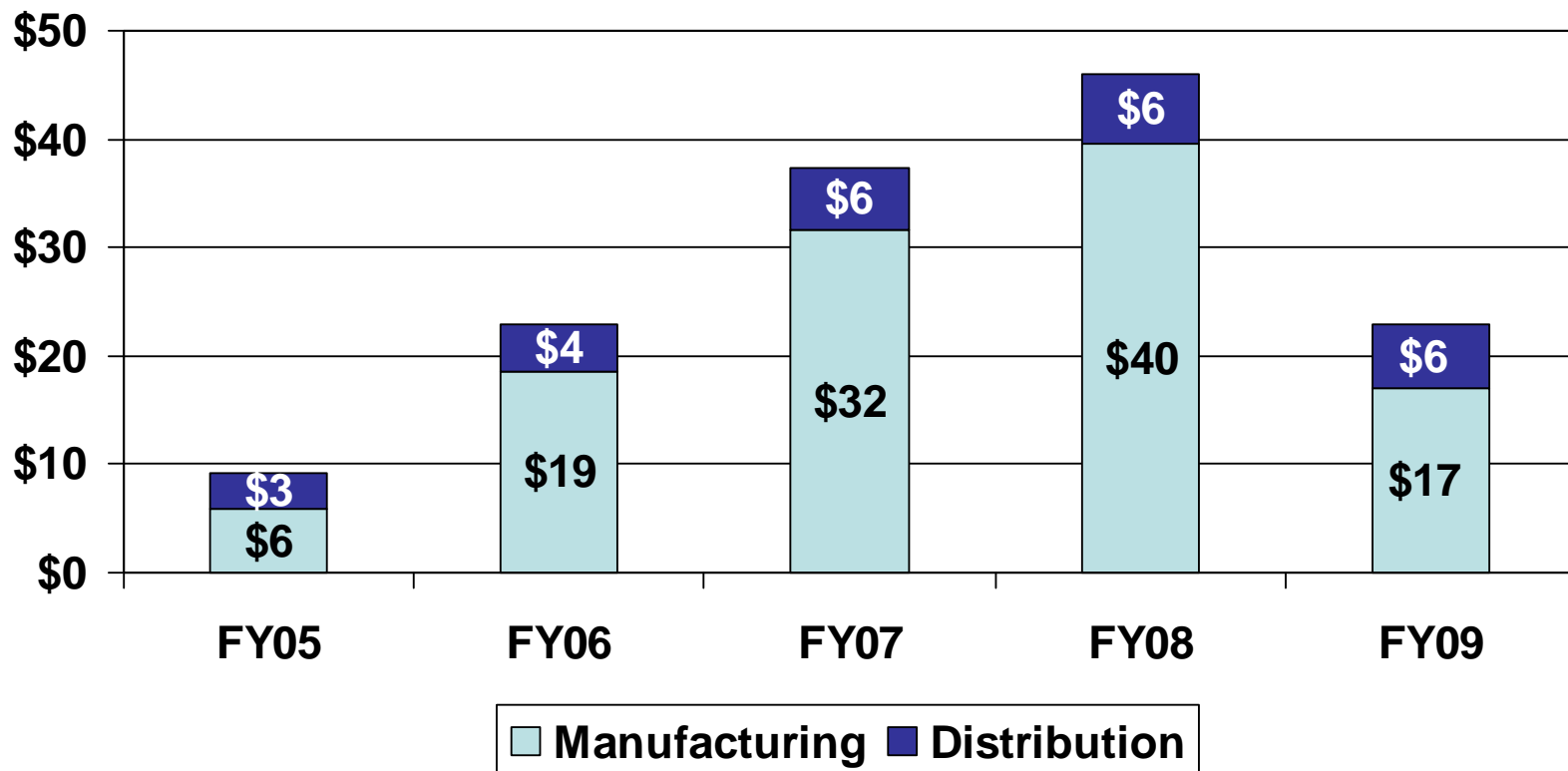


Net Sales by Segment



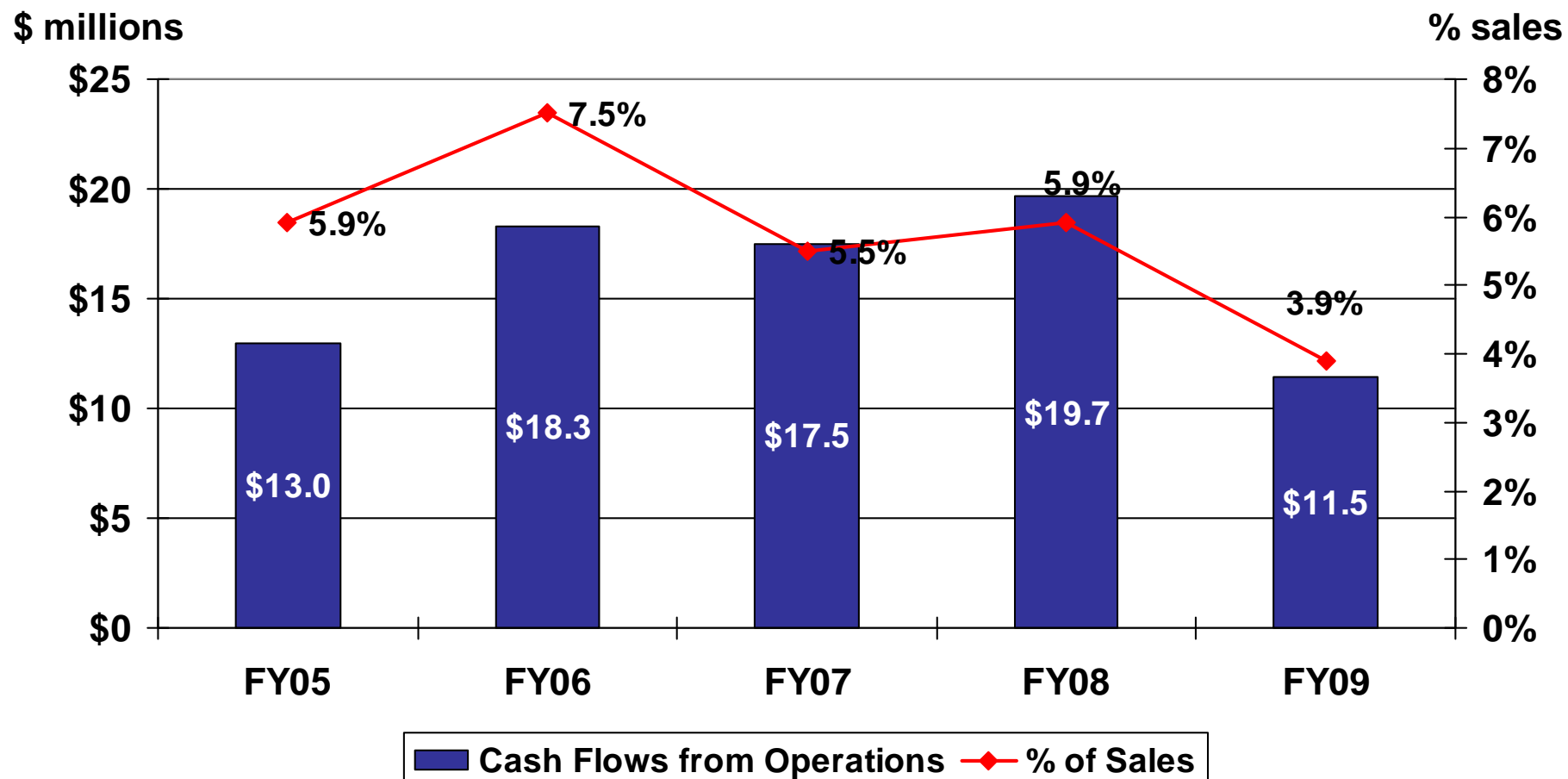


Net Earnings by Segment (before Corporate Expense)





Operating Cash Flows – Fiscal Year





Twin Disc, Incorporated

