



**TWIN(DISC)**

**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 2010 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

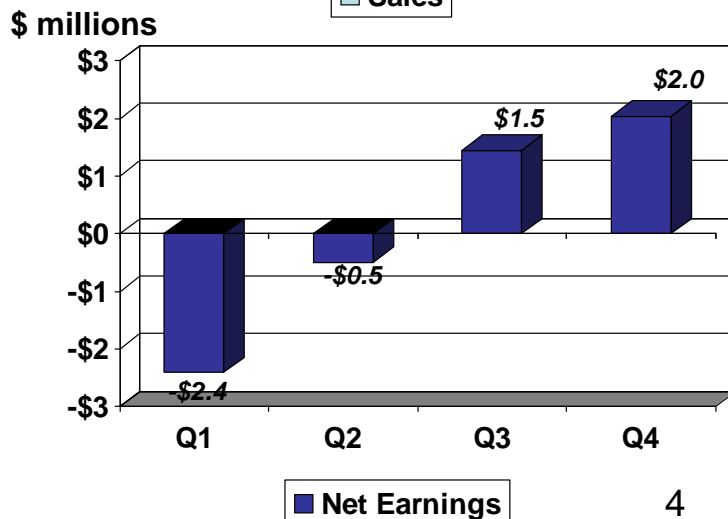
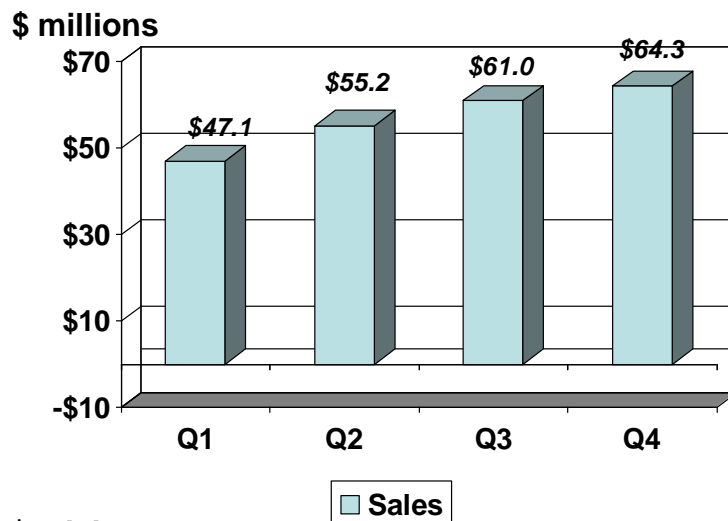
- Founded in 1918
- Headquartered in Racine, WI
- ≈913 employees (FYE '10)
- TTM Revenues of \$277M  
 FY10 Revenues of \$228M  
 FY09 Revenues of \$296M  
 FY08 Revenues of \$332M
- We are a global company
  - Well-known customers around the world
  - Mfg Operations in the U.S., Italy, Belgium, Switzerland and Japan (JV)
  - World-wide distributor network
  - 65% of fiscal 2010 sales to international markets <sub>3</sub>



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

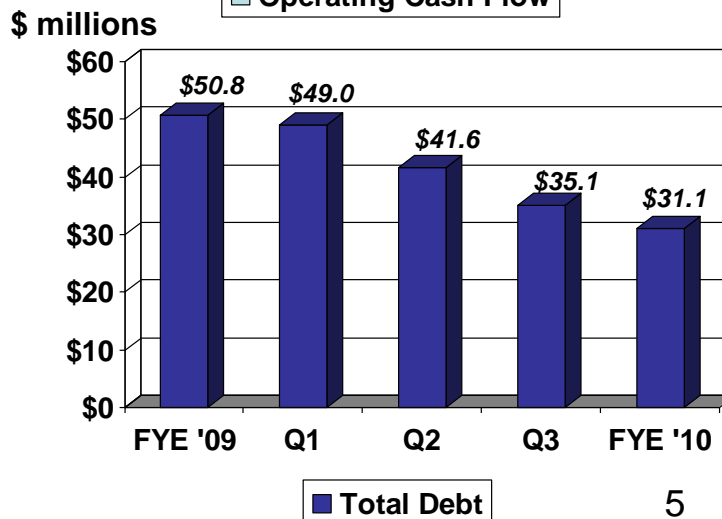
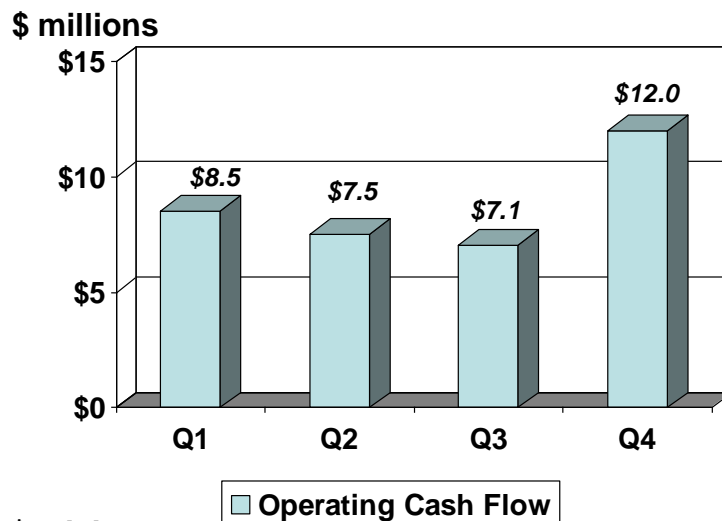
# FY 2010 Financial Highlights

- Quarterly sequential sales & earnings improvement
  - Despite challenges, profitable for the full fiscal year
- Key Markets
  - Mega Yacht and European markets remained soft throughout fiscal 2010
  - ARFF, Military and Commercial Marine were steady
  - Sales in the Pacific Rim continued strong, at near record levels
  - Oil & gas markets experienced strong growth in 2<sup>nd</sup> half of fiscal year



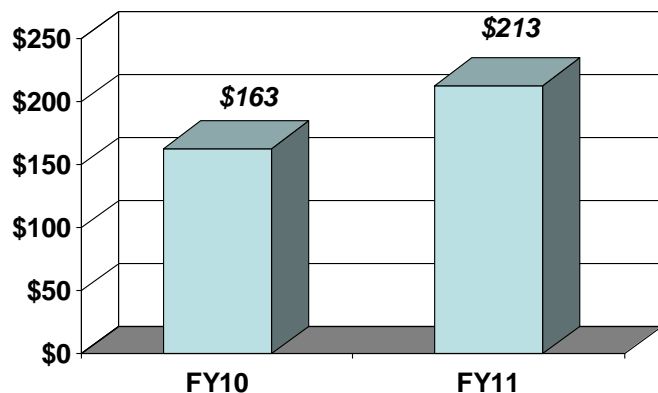
# FY 2010 Financial Highlights

- Generated \$35 million of cash from operating activities
- Reduced debt by \$19.6 million, or 39%
  - Cash also increased \$5.8 million, or 44%, to \$19.0 million
- \$25 million cost reduction and avoidance program fully implemented
  - announced in 2009's 4<sup>th</sup> Fiscal Quarter



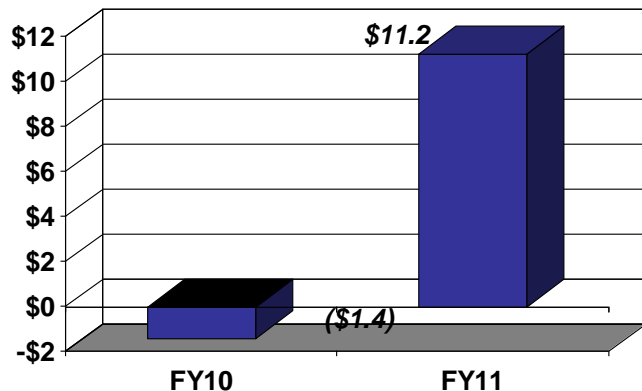
# Net Sales & Net Earnings (First Nine Months)

\$ millions



■ Sales

\$ millions



■ Net Earnings

- Sales up 31%
  - Oil & gas markets strong
  - Experienced continued softness in mega yacht and European markets
  - Prior year: seasonal and temporary plant shutdowns impacted Q1 shipments
  - Asian markets continued at near record levels
  
- \$11.2 million profit, up \$12.7 million
  - Prior year includes extended plant shutdowns in Q1 at European and US manufacturing locations

# Marine & Propulsion Systems

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



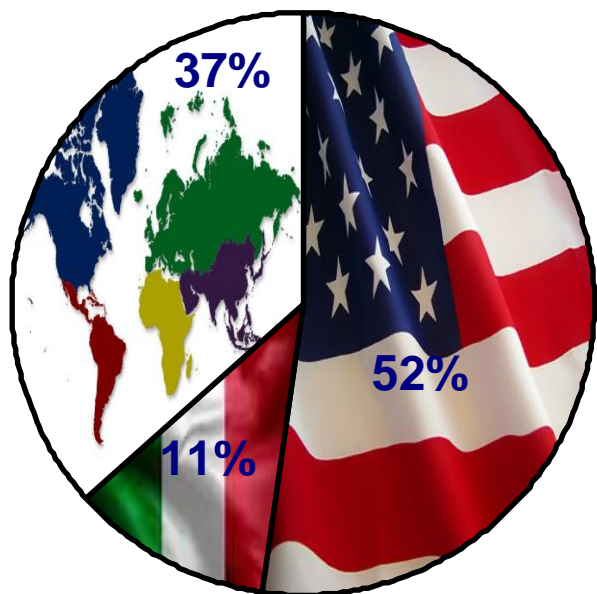
# Land-Based Products

- 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
  - Orders increasing globally for 8500 & air clutches
  - New 7500 series finishing field tests, initial deliveries in Q4



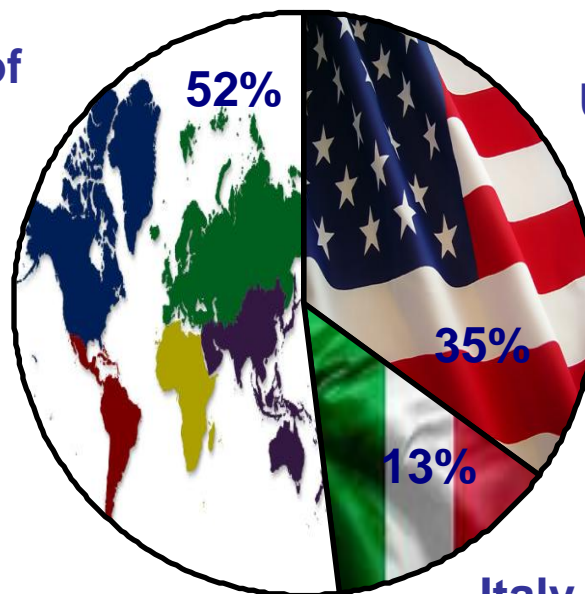


# Corporate Profile – Geographic Diversity



**2006**

Rest of World



**2010**

USA

Italy

48% International Sales



65% International Sales

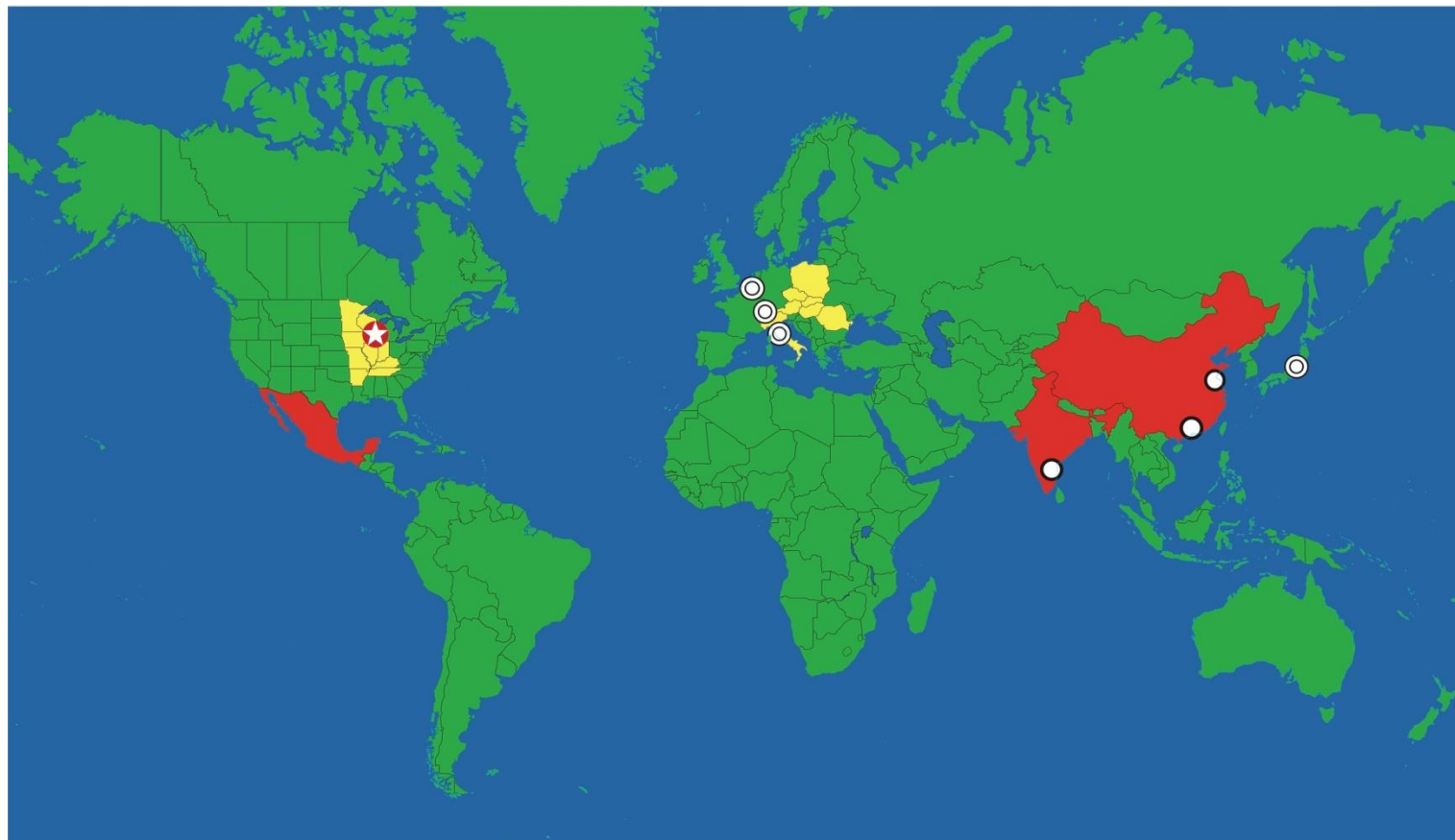
# Managing Our Cost Structure

## CAPEX

- Investing in core competencies
- Spent over \$64 million over past 6 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 – *new in Fiscal 2011*



- ARFF

- “Pump & Roll”

- Military

- “Legacy” Contracts

- Marine

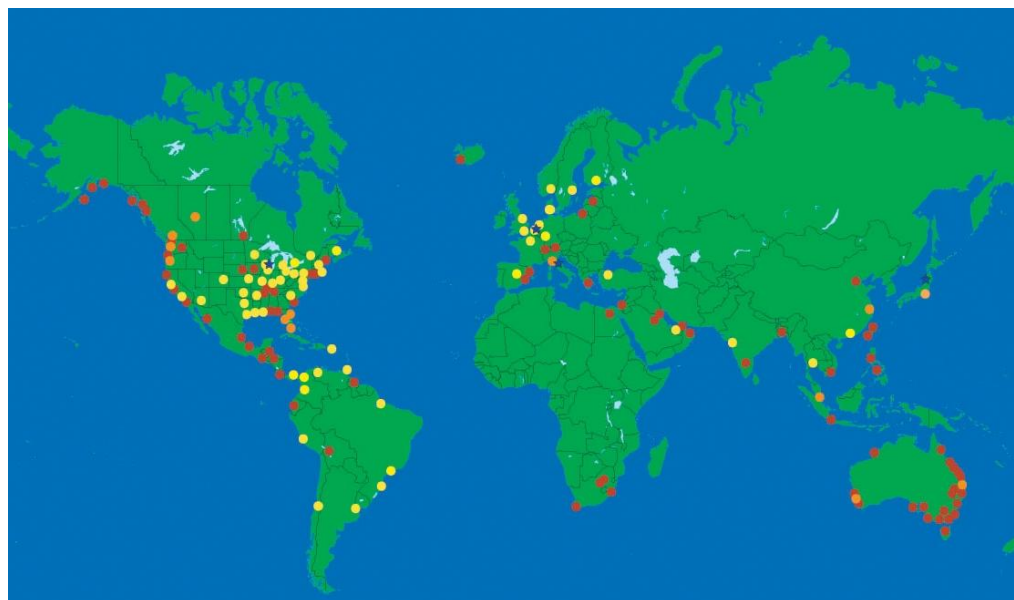
- Patented QuickShift®
- Express Joystick System® – *new in Fiscal 2011*



- Dynamic Positioning/DPII
- Rolla CFD

# What Differentiates Us?

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



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

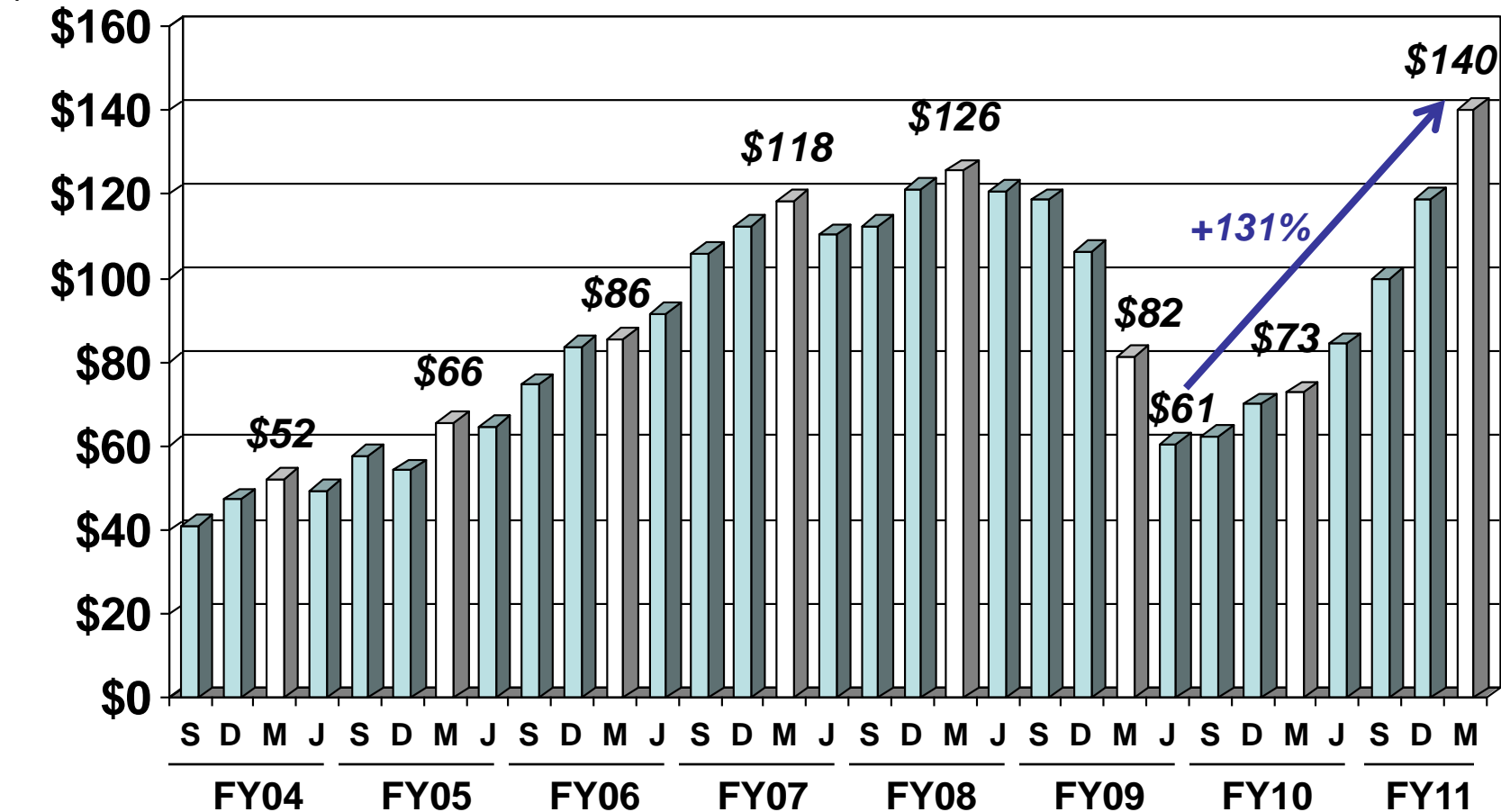


# Looking Ahead

# Corporate Six Month Backlog

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

\$ millions



# Fiscal Year 2011/12 Outlook

- Mega Yacht & Europe – weakness expected to continue, modest growth off historic lows expected
- Industrial, ARFF & Military will remain stable, modest growth
- Oil & Gas – experiencing strong growth in demand
- Patrol Boat market expanding
- Asian market continues at near record levels
- New product launches: 7500 & Express Joystick System®
- Continued focus on working capital management
- Expect continued improvement into fiscal 2012







# 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, Control Systems
- **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

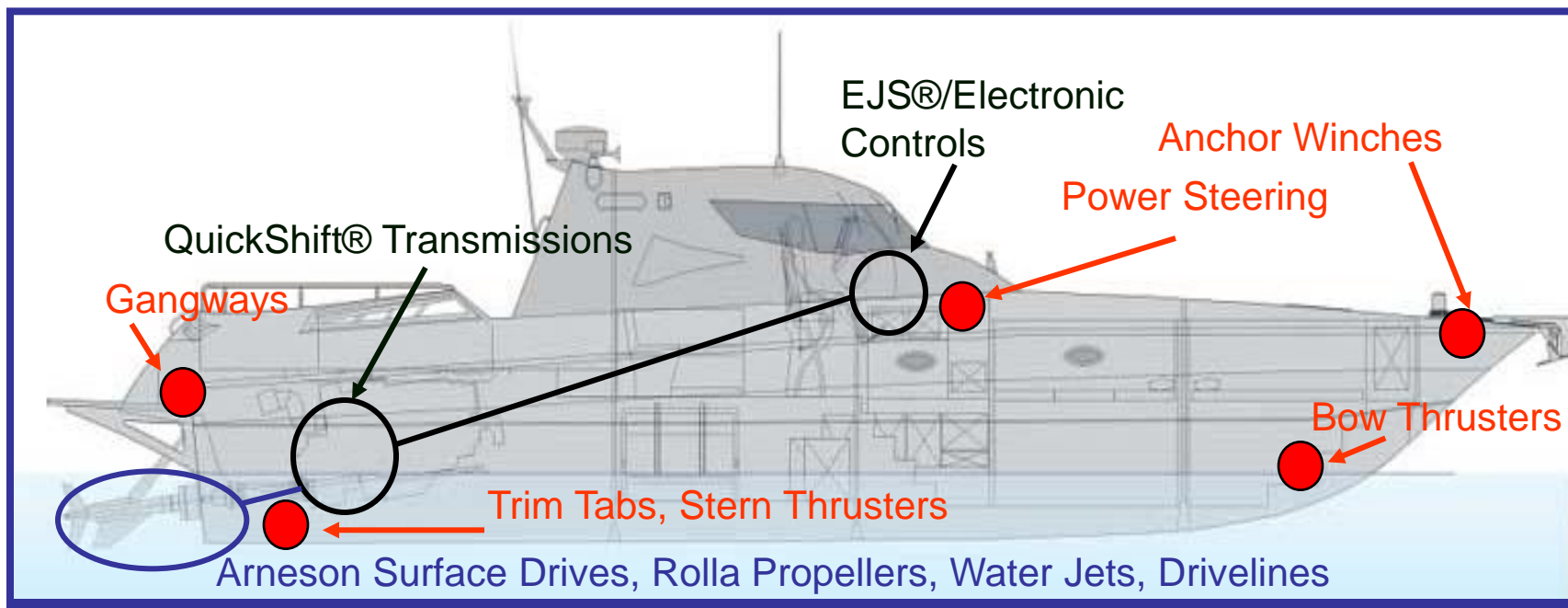
## Patrol Boat Market:

- *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



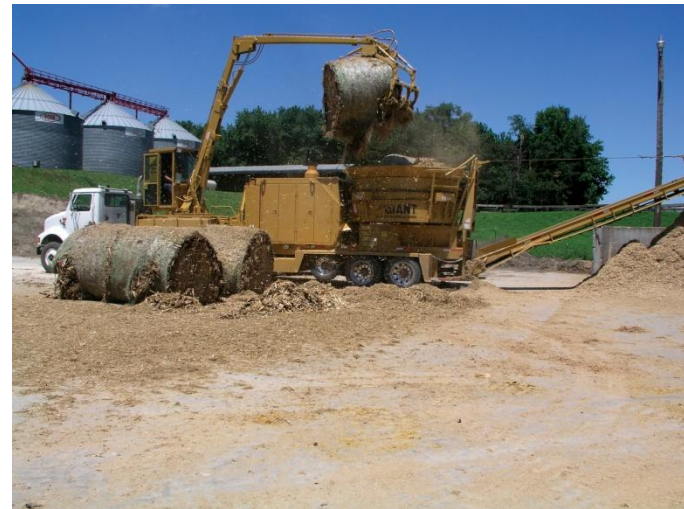
**We have been very successful “bundling” more marine products**

- **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

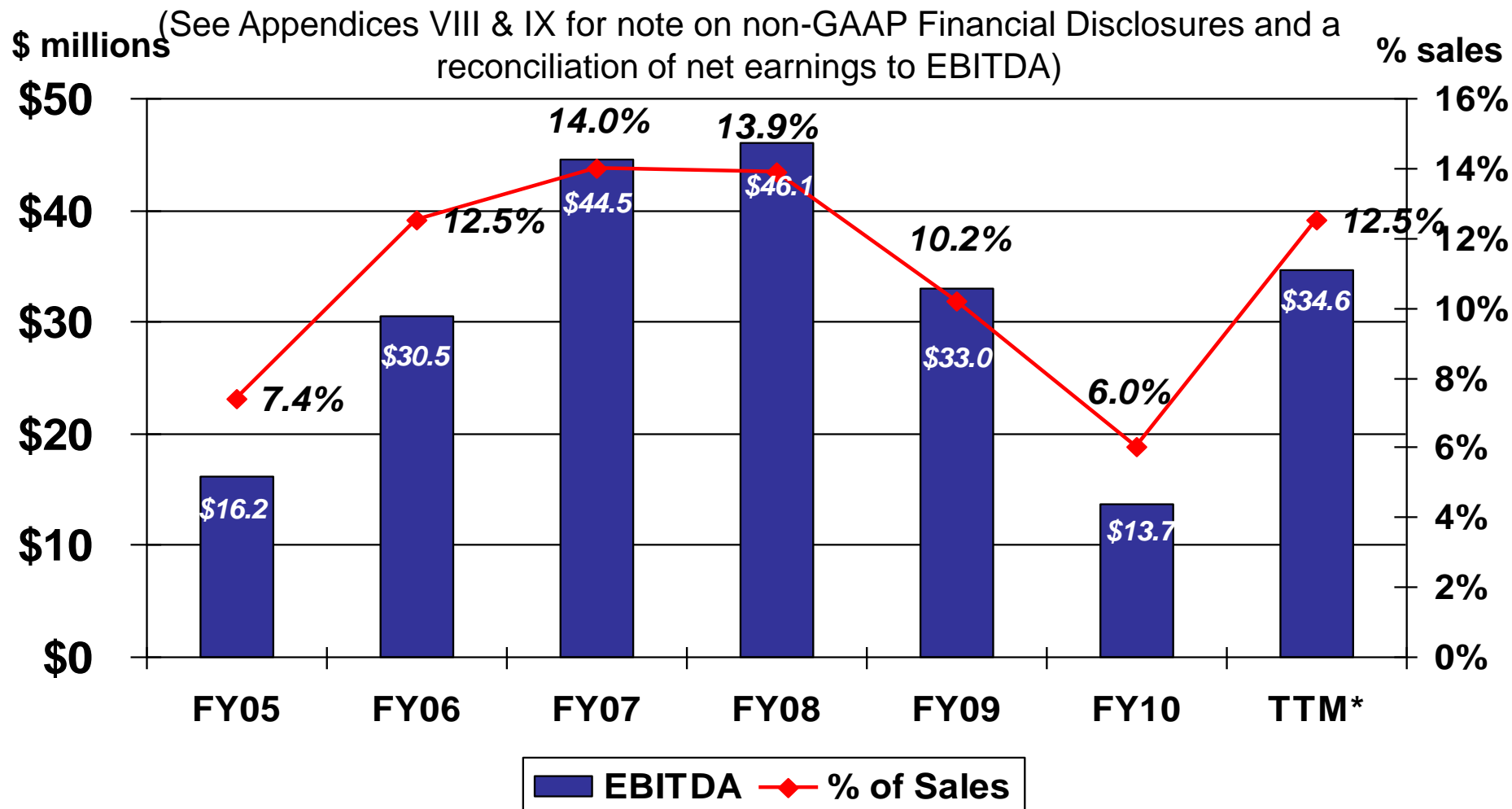
## Industrial Transmissions:

- **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, 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

*in \$ thousands, except % data*

	TTM	2010	2009	2008	2007	2006	2005
<b>Net Earnings</b>	<b>\$ 13,278</b>	<b>\$ 597</b>	<b>\$ 11,502</b>	<b>\$ 24,252</b>	<b>\$ 21,852</b>	<b>\$ 14,453</b>	<b>\$ 6,910</b>
Income Taxes	10,094	992	6,257	10,904	12,273	8,470	2,485
Interest Expense	1,770	2,282	2,487	3,038	3,154	1,718	1,134
Depreciation & Amortization	9,462	9,817	9,774	7,881	7,252	5,866	5,677
<b>Earnings before interest, taxes, depreciation and amortization</b>	<b>\$ 34,604</b>	<b>\$ 13,688</b>	<b>\$ 30,020</b>	<b>\$ 46,075</b>	<b>\$ 44,531</b>	<b>\$ 30,507</b>	<b>\$ 16,206</b>
<b>Net Sales</b>	<b>\$ 277,339</b>	<b>\$ 227,534</b>	<b>\$ 295,618</b>	<b>\$ 331,694</b>	<b>\$ 317,200</b>	<b>\$ 243,287</b>	<b>\$ 218,472</b>
<b>EBITDA as a % of Sales</b>	<b>12.5%</b>	<b>6.0%</b>	<b>10.2%</b>	<b>13.9%</b>	<b>14.0%</b>	<b>12.5%</b>	<b>7.4%</b>

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

## Reconciliation of TTM Data to Reported Quarterly Figures

	<u>Q4 10</u>	<u>FY 10**</u>	<u>Q1 11*</u>	<u>Q2 11*</u>	<u>Q3 11*</u>	<u>TTM</u>
Sales	\$ 64,313	\$ 227,534	\$ 61,395	\$ 75,160	\$ 76,471	\$ 277,339
Gross Profit	19,426	60,465	20,023	23,757	27,782	90,988
Operating Income	4,274	3,085	5,246	5,118	10,728	25,366
Interest Exp	461	2,282	439	440	430	1,770
Net Earnings	2,040	597	2,656	4,034	4,548	13,278
EPS, Diluted	\$ 0.18	\$ 0.05	\$ 0.24	\$ 0.35	\$ 0.40	\$ 1.17
EPS, Basic	\$ 0.18	\$ 0.05	\$ 0.24	\$ 0.36	\$ 0.40	\$ 1.18
CAPEX	1,665	4,456	1,247	1,668	1,184	5,764
Deprec.	2,479	9,817	2,272	2,346	2,365	9,462
Oper Cash Flow	12,002	35,116	3,503	4,980	(4,417)	16,068
Dividends	784	3,133	792	794	908	3,278
Pretax Income	4,498	1,722	4,253	4,589	10,105	23,445
Taxes	2,446	992	1,556	529	5,563	10,094

\* 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>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Sales</b>	\$ 227,534	\$ 295,618	\$ 331,694	\$ 317,200	\$ 243,287
<b>Gross Profit</b>	60,465 26.6%	81,443 27.6%	104,868 31.6%	102,909 32.4%	74,390 30.6%
<b>MEA Expense</b>	56,886 25.0%	60,470 20.5%	66,349 20.0%	63,267 19.9%	49,606 20.4%
<b>Restructuring</b>	494	1,188	(373)	2,652	-
<b>Interest Expense</b>	2,282	2,487	3,038	3,154	1,718
<b>Misc. Exp/(Inc)</b>	<u>(919)</u>	<u>(747)</u>	<u>606</u>	<u>(493)</u>	<u>14</u>
<b>Pretax Earnings</b>	1,722	18,045	35,248	34,329	23,052
<b>Income Taxes</b>	992	6,257	10,904	12,273	8,470
<b>Minority Interest</b>	<u>(133)</u>	<u>(286)</u>	<u>(92)</u>	<u>(204)</u>	<u>(129)</u>
<b>Net Earnings</b>	<u>\$ 597</u>	<u>\$ 11,502</u>	<u>\$ 24,252</u>	<u>\$ 21,852</u>	<u>\$ 14,453</u>
<b>EBITDA</b>	\$ 13,688	\$ 33,020	\$ 46,075	\$ 44,531	\$ 30,507
<b>DILUTED EPS</b>	\$ 0.05	\$ 1.03	\$ 2.13	\$ 1.84	\$ 1.22

## 3<sup>rd</sup> Fiscal Qtr Condensed Consolidated Statements of Operations

(\$ thousands, unaudited)

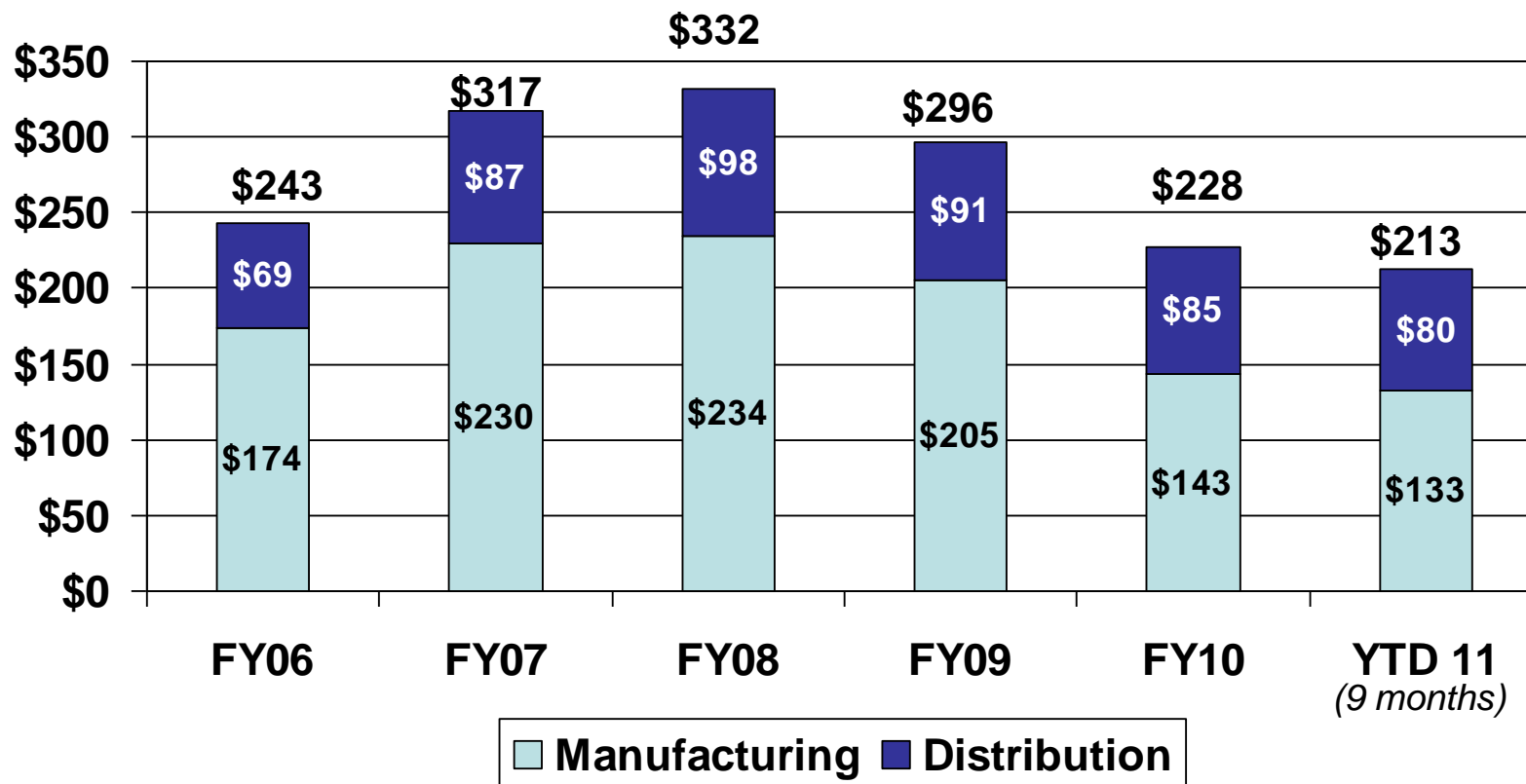
	2011	2010	2009	2008	2007
<b>Sales</b>	\$ 76,471	\$ 60,977	\$ 69,292	\$ 85,838	\$ 86,405
<b>Gross Profit</b>	27,782 36.3%	16,505 27.1%	19,151 27.6%	26,627 31.0%	28,185 32.6%
<b>MEA Expense</b>	17,054 22.3%	14,555 23.9%	14,517 21.0%	14,969 17.4%	15,913 18.4%
<b>Interest Expense</b>	430	639	526	757	886
<b>Misc. Exp/(Inc)</b>	193	(433)	1,049	194	(199)
<b>Pretax Earnings</b>	10,105	1,744	3,059	10,707	11,585
<b>Income Taxes</b>	5,563	244	362	2,719	4,023
<b>Minority Interest</b>	6	(49)	153	(59)	(53)
<b>Net Earnings</b>	\$ 4,548	\$ 1,451	\$ 2,850	\$ 7,929	\$ 7,509
<b>EBITDA</b>	\$ 12,906	\$ 4,800	\$ 6,292	\$ 13,271	\$ 14,254
<b>DILUTED EPS</b>	\$ 0.40	\$ 0.13	\$ 0.26	\$ 0.70	\$ 0.64

## YTD Condensed Consolidated Statements of Operations

*(first nine months of the fiscal year)*

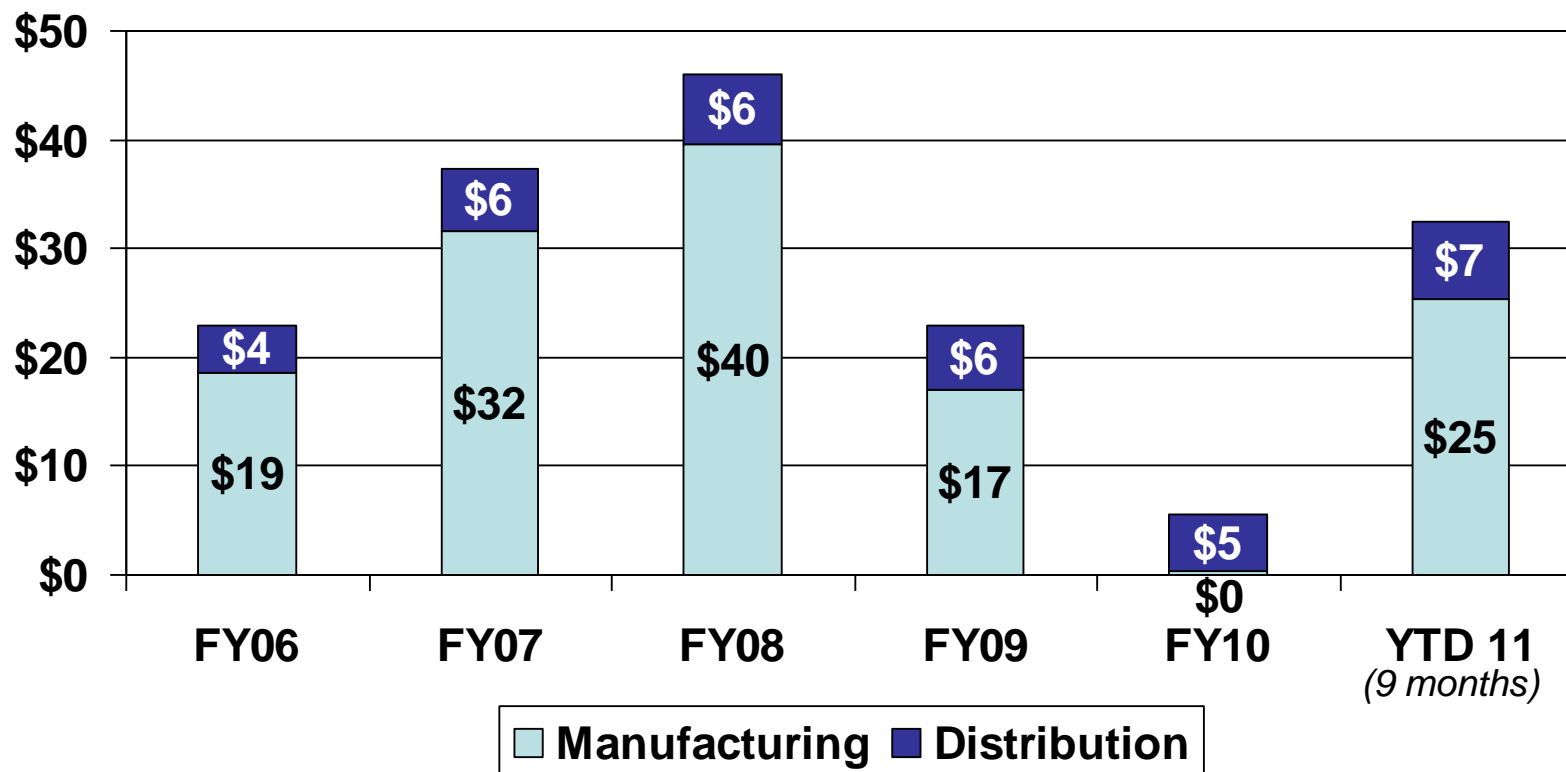
(\$ thousands, unaudited)	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Sales</b>	\$ 213,026	\$ 163,220	\$ 223,562	\$ 241,345	\$ 226,418
<b>Gross Profit</b>	71,562 33.6%	41,038 25.1%	62,176 27.8%	75,823 31.4%	72,887 32.2%
<b>MEA Expense</b>	50,470 23.7%	42,228 25.9%	47,843 21.4%	47,041 19.5%	44,093 19.5%
<b>Interest Expense</b>	1,309	1,821	1,837	2,325	2,353
<b>Misc. Exp/(Inc)</b>	<u>836</u>	<u>(236)</u>	<u>37</u>	<u>368</u>	<u>(527)</u>
<b>Pretax Earnings</b>	18,947	(2,775)	12,459	26,089	26,968
<b>Income Taxes</b>	7,648	(1,454)	3,639	8,686	9,973
<b>Minority Interest</b>	(61)	(122)	(72)	(160)	(144)
<b>Net Earnings</b>	<u>\$ 11,238</u>	<u>\$ (1,443)</u>	<u>\$ 8,748</u>	<u>\$ 17,243</u>	<u>\$ 16,851</u>
<b>EBITDA</b>	\$ 27,178	\$ 6,262	\$ 21,532	\$ 33,680	\$ 34,381
<b>DILUTED EPS</b>	\$ 0.98	\$ (0.13)	\$ 0.78	\$ 1.51	\$ 1.43

## Net Sales by Segment

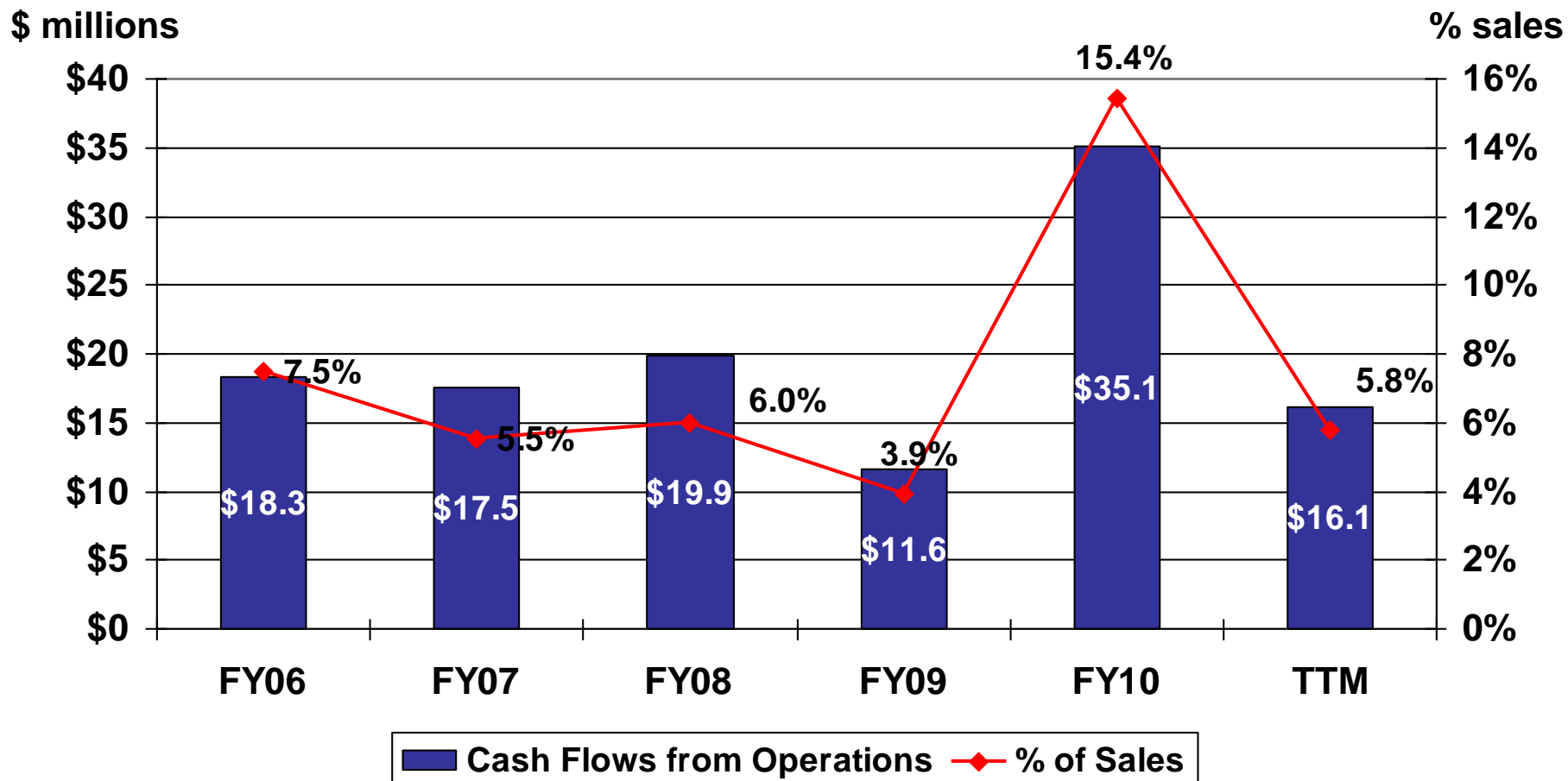




## Net Earnings by Segment (before Corporate Expense)



## Operating Cash Flows – Fiscal Year



# 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



**TWIN DISC®**

**WE PUT HORSEPOWER TO WORK™**