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## Twin Disc Inc. F3Q09 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from Paul Mammola - Sidoti & Company.

#### Paul Mammola - Sidoti & Company

Can you quantify for us how much of cost you've taken out of the business thus far?

#### Michael Batten

It's difficult to quantify the specific cost. What has been taking place is that in our European operations we've incorporated [Somaj] or [Cassa Integrazione] and John, you might want to speak about what's happening there.

#### John Batten

Paul, at a variable staffing level in Italy, its both for the hourly and the salary groups and in Belgium as of the moment it's just for the hourly group. We can go up to 50% either Somaj or Cassa Integrazione where we pay for the times that are in the plan and the government picks up 80% of the remaining time out of the plant.

Both in Belgium and in Italy we started that process during the third quarter as to initiate the process you have to go through vacation time or use the vacation time first. It really didn't kick in that much in the third quarter at all; it's going to be a fourth quarter activity going forward. There were permanent reduction at some of the distribution subsidiary of employees but the real effect of all of these actions that we are taking will be going into next quarter.

#### Paul Mammola - Sidoti & Company

Okay. So, am I correct to assume that the \$2.5 million sequential pick down in ME&A is basically on lower sales rather than primarily sort of cost cutting initiatives?

#### Michael Batten

We will be continuing to add the actions that are required in face of softening business fall. So, we probably haven't seen the full extent of the actions, what John has described, probably not the full expense.

#### Paul Mammola - Sidoti & Company

Okay. That's helpful. On CapEx, I know you are planning on adding to some machinery. Is that still the case as to some of the events out there kind of curtail the original plans?

**Michael Batten**

The softening economy has curtailed our plans. I think we announced at some point in the last quarter, we think our CapEx forecast from probably about \$16 million to \$17 million that's planned for the year, down to the neighborhood of \$12 million and that actually could be a little bit softer than 12 as well.

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