SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended June 30, 1997
Commission File Number 1-7635
TWIN DISC, INCORPORATED

(Exact Name of Registrant as Specified in its Charter)

Wisconsin	39-0667110
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
1328 Racine Street, Racine, Wisconsin	53403
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, including area code: (414) 638-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered:
Common stock, no par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
Common stock, no par value

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [X].

At September 2, 1997, the aggregate market value of the common stock held by non-affiliates of the registrant was $63,910,457. Determination of stock ownership by affiliates was made solely for the purpose of responding to this requirement and registrant is not bound by this determination for any other purpose.

At September 2, 1997, the registrant had 2,825,174 shares of its common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

The incorporated portions of such documents being specifically identified in the applicable Items of this Report.

Portions of the Annual Report to Shareholders for the year ended June 30, 1997 are incorporated by reference into Parts I, II and IV.

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held October 17, 1997 are incorporated by reference into Parts I, III and IV.

Portions of the Company's Annual Report on Form 10-K for the year ended June 30, 1988, are incorporated by reference into Part II.

PART I

Item 1. Business

The Company is engaged in one line of business. Twin Disc designs, manufactures and sells heavy duty off-highway power transmission equipment. Products offered include: hydraulic torque converters; power-shift transmissions; marine transmissions and surface drives; universal joints; gas turbine starting drives; power take-offs and reduction gears; industrial clutches; fluid couplings and control systems. Principal markets are: construction equipment, industrial equipment, government, marine, energy and natural resources and agriculture. The Company's worldwide sales to both domestic and foreign customers are transacted through a direct sales force and a distributor network. There have been no significant changes in products or markets since the beginning of the fiscal year. The products described above have accounted for more than 90% of revenues in each of the last three fiscal years.

In August 1997, the Company purchased the inventory and equipment of Wilson Equipment Company Limited, a distributor of Twin Disc products. The acquisition did not require significant capital investment.

The Company's products receive direct widespread competition, including from divisions of other larger independent manufacturers. The Company also competes for business with parts manufacturing divisions of some of its major customers. Ten customers accounted for approximately 48% of the Company's consolidated net sales during the year ended June 30, 1997. One such customer is Caterpillar Inc. which accounted for approximately 11% of consolidated net sales in 1997.

Unfilled open orders for the next six months of $76,429,000 at June 30, 1997 compares to $65,574,000 at June 30, 1996. Since orders are subject to cancellation and rescheduling by the customer, the six-month order backlog is considered more representative of operating conditions than total backlog. However, as procurement and manufacturing "lead times" change, the backlog will increase or decrease; and thus it does not necessarily provide a valid indicator of the shipping rate. Cancellations are generally the result of rescheduling activity and do not represent a material change in backlog. Additionally, unfilled orders at June 30, 1997 of $2,536,000 relate to the major vehicle contract which should be completed by January, 1998.

Most of the Company's products are machined from cast iron, forgings, cast aluminum and bar steel which generally are available from multiple sources and which are believed to be in adequate supply.

The Company has pursued a policy of applying for patents in both the United States and certain foreign countries on inventions made in the course of its development work for which commercial applications are considered probable. The Company regards its patents collectively as important but does not consider its business dependent upon any one of such patents.

Engineering and development costs include research and development expenses for new product development and major improvements to existing products, and other charges for ongoing efforts to refine existing products. Research and development costs charged to operations totalled $3,517,000, $2,564,000 and $2,718,000 in 1997, 1996 and 1995, respectively. Total engineering and development costs were $8,288,000, $6,998,000 and $7,411,000 in 1997, 1996 and 1995, respectively.

Item 1. Business (continued)

Compliance with federal, state and local provisions regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, is not anticipated to have a material effect on capital expenditures, earnings or the competitive position of the Company.

The number of persons employed by the Company at June 30, 1997 was 1,081.

The business is not considered to be seasonal except to the extent that employee vacations are taken mainly in the months of July and August curtailing production during that period.

Management recognizes that there are attendant risks that foreign governments may place restrictions on dividend payments and other movements of money, but these risks are considered minimal due to the political relations the United States maintains with the countries in which the Company operates or the relatively low investment within individual countries.

A summary of financial data by geographic area for the years ended June 30, 1997, 1996 and 1995 appears in Note I to the consolidated financial statements on pages 30 through 31 of the 1997 Annual Report to Shareholders, which financial statements are incorporated by reference in this Form 10-K Annual Report in Part II.

Item 2.Properties

The Company owns two manufacturing, assembly and office facilities in Racine, Wisconsin, U.S.A. and one in Nivelles, Belgium. The aggregate floor space of these three plants approximates 677,000 square feet. The Racine facility includes office space which is the location of the Company's corporate headquarters.

The Company also has operations in the following locations, all of which are used for sales offices, warehousing and light assembly or product service. The following properties are leased except for the Johannesburg, South Africa location, which is owned:

Jacksonville, Florida, U.S.A.	Brisbane, Queensland, Australia
Miami, Florida, U.S.A.	Perth, Western Australia, Australia
Loves Park, Illinois, U.S.A.	Viareggio, Italy
Coburg, Oregon, U.S.A.	Singapore
Seattle, Washington, U.S.A.	Johannesburg, South Africa
	Vancouver, British Columbia, Canada
	Madrid, Spain
	Edmonton, Alberta, Canada

The properties are generally suitable for operations and are utilized in the manner for which they were designed. Manufacturing facilities are currently operating at less than 77% capacity and are adequate to meet foreseeable needs of the Company.

Item 3. Legal Proceedings

Twin Disc is a defendant in several product liability or related claims considered either adequately covered by appropriate liability insurance or involving amounts not deemed material to the business or financial condition of the Company.

The Company has joined with a group of potentially responsible parties in signing a consent decree with the Illinois Environmental Protection Agency to conduct a remedial investigation and feasibility study at the Interstate Pollution Control facility in Rockford, Illinois. The consent decree was signed on October 17, 1991, and filed with the federal court in the Northern District of Illinois. The Company's total potential liability on the site cannot be estimated with particularity until completion of the remedial investigation. Based upon current assumptions, however, the Company anticipates potential liability of approximately $600,000.

The Company has also joined with a group of potentially responsible parties in signing a consent decree with the Illinois Environmental Protection Agency to conduct a remedial investigation and feasibility study at the MIG\DeWane Landfill in Rockford, Illinois. The consent decree was signed on March 29, 1991, and filed with the federal court in the Northern District of Illinois. The Company's total potential liability on the site cannot be estimated with particularity until completion of the remedial investigation. Based upon current assumptions, however, the Company anticipates potential liability of approximately $126,000.

The Company also is involved with other potentially responsible parties in various stages of investigation and remediation relating to other hazardous waste sites, some of which are on the United States EPA National Priorities List (Superfund sites). While it is impossible at this time to determine with certainty the ultimate outcome of such environmental matters, they are not expected to materially affect the Company's financial position, operating results or cash flows.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Executive Officers of the Registrant

(Pursuant to General Instruction G(3) of Form 10-K, the following list is included as an unnumbered Item in Part I of this Report in lieu of being included in the Proxy Statement for the Annual Meeting of Shareholders to be held on October 17, 1997.)

Name	Principal Occupation Last Five Years	Age
Michael E. Batten	Chairman, Chief Executive Officer	57
Michael H. Joyce	President-Chief Operating Officer	56
James O. Parrish	Vice President - Finance and Treasurer	57
Philippe O. Pecriaux	Vice President - Europe	59
Lance J. Melik	Vice President - Corporate Development since September 1995; formerly Vice President - Marketing	54
James McIndoe	Vice President - International Marketing	58

Executive Officers of the Registrant (continued)

Name	Principal Occupation Last Five Years	Age
Paul A. Pelligrino	Vice President - Engineering since April 1996; formerly Chief Engineer of Corporate Engineering	58
John W. Spano	Vice President - Sales and Marketing since September 1995; formerly Director Mobile Market Group, Trinova Corporation since June 1993; formerly Director of Customer Service since October 1991	53
Fred H. Timm	Corporate Controller and Secretary since August 1994; formerly Controller and Secretary	51

Officers are elected annually by the Board of Directors at the first meeting of the Board held after each Annual Meeting of the Shareholders. Each officer shall hold office until his successor has been duly elected, or until he shall resign or shall have been removed from office.

PART II

Item 5.Market for the Registrant's Common Stock and Related Shareholder Matters

The dividends per share and stock price range information set forth under the caption "Sales and Earnings by Quarter" on page 1 of the Annual Report for the year ended June 30, 1997 are incorporated into this Report by reference.

As of June 30, 1997 there were 845 shareholder accounts. The Company's stock is traded on the New York Stock Exchange. The market price of the Company's common stock as of the close of business on September 2, 1997 was $29.44 per share.

Pursuant to a shareholder rights plan (the "Rights Plan"), on June 17, 1988, the Board of Directors declared a dividend distribution, payable to shareholders of record on July 1, 1988, of one Preferred Stock Purchase Right for each outstanding share of Common Stock ("Rights"). The Rights will expire 10 years after issuance, and will be exercisable only if a person or group becomes the beneficial owner of 20% or more (or 30% in the case of any person or group which currently owns 20% or more of the shares or who shall become the Beneficial Owner of 20% or more of the shares as a result of any transfer by reason of the death of or by gift from any other person who is an Affiliate or an Associate of such existing holder or by succeeding such a person as trustee of a trust existing on July 1, 1988) of the Common Stock (such person or group, an "Acquiring Person") or commences a tender or exchange offer which would result in the offeror beneficially owning 30% or more of the Common Stock. A person who is not an Acquiring Person will not be deemed to have become an Acquiring Person solely as a result of a reduction in the number of shares of Common Stock outstanding due to a repurchase of Common Stock by the Company until such person becomes beneficial owner of any additional shares of Common Stock. Each Right will entitle shareholders who received the Rights to buy one newly issued unit of one one-hundredth of a share of Series A Junior Preferred Stock at an exercise price of $80, subject to certain antidilution adjustments. The Company will generally be entitled to redeem the Rights at $.05 per Right at any time prior to 10 business days after a public announcement of the existence of an Acquiring Person.

In addition, if (i) a person or group accumulates more than 30% of the Common Stock (except pursuant to an offer for all outstanding shares of Common Stock which the independent directors of the Company determine to be fair to and otherwise in the best interests of the Company and its shareholders and except solely due to a reduction in the number of shares of Common Stock outstanding due to the repurchase of Common Stock by the Company), (ii) a

Item 5. Market for the Registrant's Common Stock and Related Shareholder Matters (continued)

merger takes place with an Acquiring Person where the Company is the surviving corporation and its Common Stock is not changed or exchanged, (iii) an Acquiring Person engages in certain self-dealing transactions, or (iv) during such time as there is an Acquiring Person, an event occurs which results in such Acquiring Person's ownership interest being increased by more than 1% (e.g., a reverse stock split), each Right (other than Rights held by such Acquiring Person and certain related parties which become void) will represent the right to purchase, at the exercise price, Common Stock (or in certain circumstances, a combination of securities and/or assets) having a value of twice the exercise price. In addition, if following the public announcement of the existence of an Acquiring Person the Company is acquired in a merger or other business combination transaction, except a merger or other business combination transaction that takes place after the consummation of an offer for all outstanding shares of Common Stock that the independent directors of the Company have determined to be fair, or a sale or transfer of 50% or more of the Company's assets or earning power is made, each Right (unless previously voided) will represent the right to purchase, at the exercise price, common stock of the acquiring entity having a value of twice the exercise price at the time.

The Rights have certain anti-takeover effects. The Rights will cause substantial dilution to a person or group that attempts to acquire the Company without conditioning the offer on a substantial number of Rights being acquired.
However, the Rights are not intended to prevent a take-over, but rather are designed to enhance the ability of the Board of Directors to negotiate with an acquiror on behalf of all of the shareholders. In addition, the Rights should not interfere with a proxy contest.

The Rights should not interfere with any merger or other business combination approved by the Board of Directors since the Rights may be redeemed by the Company at $.05 per Right prior to 10 business days (as such period may be extended by the Company) after the public announcement of the existence of an Acquiring Person.

The press release announcing the declaration of the Rights dividend, dated June 20, 1988, and a letter to the Company's shareholders, dated June 22, 1988, explaining the Rights, filed as Item 14(a)(3), Exhibits 4(a) and (b) of Part IV of the Annual Report on Form 10-K for the year ended June 30, 1988 are hereby incorporated by reference.

Item 6.Selected Financial Data

The information set forth under the caption "Ten-Year Financial Summary" on pages 40 and 41 of the Annual Report to Shareholders for the year ended June 30, 1997 is incorporated into this report by reference.

Item 7.Management's Discussion and Analysis of Financial Condition and Results of Operations

The information set forth under the caption "Management's Discussion and Analysis" on pages 19 through 21 of the Annual Report to Shareholders for the year ended June 30, 1997 is incorporated into this report by reference.

Item 8. Financial Statements and Supplementary Data

The following Consolidated Financial Statements of Twin Disc, Incorporated and Subsidiaries set forth on pages 22 through 39 of the Annual Report to Shareholders for the year ended June 30, 1997 are incorporated into this report by reference:

Consolidated Balance Sheets, June 30, 1997 and 1996

Consolidated Statements of Operations for the years ended June 30, 1997, 1996 and 1995

Consolidated Statements of Cash Flows for the years ended June 30, 1997, 1996 and 1995

Consolidated Statements of Changes in Shareholders' Equity for the years ended June 30, 1997, 1996 and 1995

Notes to Consolidated Financial Statements

Report of Independent Accountants

The supplementary data regarding quarterly results of operations set forth under the caption "Sales and Earnings by Quarter" on page 1 of the Annual Report to Shareholders for the year ended June 30, 1997 is incorporated into this report by reference.

Item 9. Change in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

For information with respect to the executive officers of the Registrant, see "Executive Officers of the Registrant" at the end of Part I of this report. For information with respect to the Directors of the Registrant, see "Election of Directors" on pages 5 through 6 of the Proxy Statement for the Annual Meeting of Shareholders to be held October 17, 1997, which is incorporated into this report by reference.

For information with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934, see "Compliance with 16(a) of the Securities Exchange Act of 1934" on page 13 of the Proxy Statement for the Annual Meeting of Shareholders to be held October 17, 1997, which is incorporated into this report by reference.

Item 11. Executive Compensation

The information set forth under the captions "Compensation of Executive Officers", "Stock Options" and "Compensation Pursuant to Plans" on pages 8 through 10 of the Proxy Statement for the Annual Meeting of Shareholders to be held on October 17, 1997 is incorporated into this report by reference. Discussion in the Proxy Statement under the captions "Board Executive Selection and Salary Committee Report on Executive Compensation" and "Corporate Performance Graph" is not incorporated by reference and shall not be deemed "filed" as part of this report.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Security ownership of certain beneficial owners and management is set forth on pages 3 and 4 of the Proxy Statement for the Annual Meeting of Shareholders to be held on October 17, 1997 under the caption "Principal Shareholders and Share Ownership of Directors and Executive Officers" and incorporated into this report by reference.

There are no arrangements known to the Registrant, the operation of which may at a subsequent date result in a change in control of the Registrant.

Item 13. Certain Relationships and Related Transactions

None.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a)(1) The following Consolidated Financial Statements of Twin Disc, Incorporated and Subsidiaries set forth on pages 22 through 39 of the Annual Report to Shareholders for the year ended June 30, 1997 are incorporated by reference into this report in Part II:

Consolidated Balance Sheets, June 30, 1997 and 1996

Consolidated Statements of Operations for the years ended June 30, 1997, 1996 and 1995

Consolidated Statements of Cash Flows for the years ended June 30, 1997, 1996 and 1995

Consolidated Statements of Changes in Shareholders' Equity for the years ended June 30, 1997, 1996 and 1995

Notes to Consolidated Financial Statements

Report of Independent Accountants

The supplementary data regarding quarterly results of operations under the caption "Sales and Earnings by Quarter" on page 1 of the Annual Report to Shareholders for the year ended June 30, 1997 is incorporated by reference into this report in Part II hereof.

Individual financial statements of the 50% or less owned entities accounted for by the equity method are not required because such 50% or less owned entities do not constitute significant subsidiaries.

(a)(2) Consolidated Financial Statement Schedule (numbered in accordance with Regulation S-X) for the three years ended June 30, 1997:

	Page
Report of Independent Accountants	12
Schedule II-Valuation and Qualifying Accounts	13

Schedules, other than those listed, are omitted for the reason that they are inapplicable, are not required, or the information required is shown in the financial statements or the related notes thereto.

The Report of the Independent Accountants of the Registrant with respect to the above-listed consolidated financial statement schedule appears on page 12 of this report.

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K (continued)

(a)(3) List of Exhibits: (numbered in accordance with Item 601 of Regulation S-K)

2 Not applicable

3 a) Articles of Incorporation, as restated October 21, 1988 (Incorporated by reference to Exhibit 3(a) of the Company's Form 10-K for the year ended June 30, 1989).

b) Corporate Bylaws, amended through June 16, 1995 (Incorporated by reference to Exhibit 3(b) of the Company's Form 10-K for the year ended June 30, 1995).

4 Instruments defining the rights of security holders, including indentures

a) Form of Rights Agreement dated as of June 17, 1988 by and between the Company and the First Wisconsin Trust Company, as Rights Agent, with Form of Rights Certificate (Incorporated by reference to Exhibits 1 and 2 of the Company's Form 8-A dated June 27, 1988).

b) Announcement of Shareholder Rights Plan per press release dated June 20, 1988 and explanation of plan per letter to Company's shareholders dated June 20, 1988 (Incorporated by reference to Exhibit 4(a) and (b), respectively, of the Company's Form 10-K for the year ended June 30, 1988).

9 Not applicable

10 Material Contracts

a) * The 1988 Incentive Stock Option Plan (Incorporated by reference to Exhibit B of the Proxy Statement for the Annual Meeting of Shareholders held on October 21, 1988).

b) * The 1988 Non-Qualified Stock Option Plan for Officers, Key Employees and Directors (Incorporated by reference to Exhibit C of the Proxy Statement for the Annual Meeting of Shareholders held on October 21,1988).

c) * Amendment to 1988 Incentive Stock Option Plan of Twin Disc, Incorporated (Incorporated by reference to Exhibit A of the Proxy Statement for the Annual Meeting of Shareholders held on October 15, 1993).

d) * Amendment to 1988 Non-Qualified Incentive Stock Option Plan for Officers, Key Employees and Directors of Twin Disc, Incorporated (Incorporated by reference to Exhibit B of the Proxy Statement for the Annual Meeting of Shareholders held on October 15, 1993).

e) * Form of Severance Agreement for Senior Officers and form of Severance Agreement for Other Officers (Incorporated by reference to Exhibit 10(c) and (d), respectively, of the Company's Form 10-K for the year ended June 30, 1989).

f) *Supplemental Retirement Plan (Incorporated by reference to Exhibit 10(a) of the Company's Form 10-K for the year ended June 30, 1986).

g) * Director Tenure and Retirement Policy (Incorporated by reference to Exhibit 10(f) of the Company's Form 10-K for the year ended June 30, 1993).

(a)(3) List of Exhibits: (numbered in accordance with Item 601 of Regulation S-K) (continued)

h) * Form of Twin Disc, Incorporated Corporate Short Term Incentive Plan (Incorporated by reference to Exhibit 10(g) of the Company's Form 10-K for the year ended June 30, 1993).

* Denotes management contract or compensatory plan or arrangement.

11 Not applicable

12 Not applicable

13 Annual Report of the Registrant for the year ended June 30, 1997 is separately filed as Exhibit (13) to this Report (except for those portions of such Annual Report separately incorporated by reference into this Report, such Annual Report is furnished for the information of the Securities and Exchange Commission and shall not be deemed "filed" as part of this report).

18 Not applicable

21 Subsidiaries of the registrant

22 Not applicable

23 Consent of Independent Accountants

24 Power of Attorney

27 Financial Data Schedule for the year ended June 30, 1997 is separately filed as Exhibit (27) to this report. (This schedule is furnished for the information of the Securities and Exchange Commission and shall not be deemed "filed" for purposes of Section 11 of the Securities Act or Section 18 of the Exchange Act.)

28 Not applicable

99 Foreign Affiliate Separate Financial Statements

a) Niigata Converter Co., Ltd. financial statements for the year ended March 31, 1995 prepared in accordance with Japanese Commercial Code (Incorporated by reference to Exhibit 99(a) of the Company's Form 10-K for the year ended June 30, 1995).

b) Niigata Converter Co., Ltd. financial statements for the year ended March 31, 1994 prepared in accordance with Japanese Commercial Code (Incorporated by reference to Exhibit 99(b) of the Company's Form 10-K for the year ended June 30, 1995).

Copies of exhibits filed as a part of this Annual Report on Form 10-K may be obtained by shareholders of record upon written request directed to the Secretary, Twin Disc, Incorporated, 1328 Racine Street, Racine, Wisconsin 53403.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

TWIN DISC, INCORPORATED

By FRED H. TIMM

Fred H. Timm, Corporate Controller and Secretary (Chief Accounting Officer)

September 19, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

	(By MICHAEL E. BATTEN
	(--------------------------------
	(Michael E. Batten, Chairman,
	(Chief Executive Officer and Director
	(
	(
	(
September 19, 1997	(By MICHAEL H. JOYCE
	(--------------------------------
	(Michael H. Joyce, President,
	(Chief Operating Officer and Director
	(
	(
	(
	(By JAMES O. PARRISH
	(--------------------------------
	(James O. Parrish, Vice President-
	(Finance, Treasurer and Director
	((Chief Financial Officer)

	(Jerome K. Green, Director
	(Paul J. Powers, Director
	(Richard T. Savage, Director
September 19, 1997	(David L. Swift, Director
	(Stuart W. Tisdale, Director
	(George E. Wardeberg, Director
	(David R. Zimmer, Director
	(
	(
	(By JAMES O. PARRISH
	(--------------------------------
	(James O. Parrish, Attorney in Fact

REPORT OF INDEPENDENT ACCOUNTANTS
(See Item 14)
Consolidated Financial Statement Schedule of
Twin Disc, Incorporated and Subsidiaries

To the Shareholders
Twin Disc, Incorporated
Racine, Wisconsin

Our report on the consolidated financial statements of Twin Disc, Incorporated and Subsidiaries has been incorporated by reference in this Form 10-K from page 39 of the 1997 Annual Report to Shareholders of Twin Disc, Incorporated and Subsidiaries. In connection with our audits of such financial statements, we have also audited the related financial statement schedule listed in the index on page 8 of this Form 10-K.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L. L. P.

Milwaukee, Wisconsin
July 18, 1997

TWIN DISC, INCORPORATED AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
for the years ended June 30, 1997, 1996 and 1995
(In thousands)

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Balance at end of Period
1997:				
Allowance for losses on accounts receivable	$ 372	$ 267	$ 101	$ 538
Reserve for inventory obsolescence	926	1,770	1,683	1,013
1996:				
Allowance for losses on accounts receivable	$ 408	$ 41	$ 77	$ 372
Reserve for inventory obsolescence	1,581	845	1,500	926
1995:				
Allowance for losses on accounts receivable	$ 441	$ 54	$ 87	$ 408
Reserve for inventory obsolescence	1,586	886	891	1,581

Accounts receivable written-off and inventory disposed of during the year
and other adjustments.

EXHIBIT INDEX

Exhibit	Description	Page
3a)	Articles of Incorporation, as restated October 21, 1988 (Incorporated by reference to Exhibit 3(a) of the Company's Form 10-K for the year ended June 30, 1989).	-
b)	Corporate Bylaws, as amended through June 16, 1995 (Incorporated by reference to Exhibit 3(b) of the Company's Form 10-K for the year ended June 30, 1995).	-
4a)	Form of Rights Agreement dated as of June 17, 1988 by and between the Company and the First Wisconsin Trust Company, as Rights Agent, with Form of Rights Certificate (Incorporated by reference to Exhibits 1 and 2 of the Company's Form 8-A date June 27, 1988).	-
b)	Announcement of Shareholder Rights Plan per press release dated June 20, 1988 and explanation of plan per letter to Company's shareholders dated June 20, 1988 (Incorporated by reference to Exhibit 4(a) and (b), respectively of the Company's Form 10-K for the year ended June 30, 1988).	-
	Material Contracts	
10a)	The 1988 Incentive Stock Option Plan (Incorporated by reference to Exhibit B of the Proxy Statement for the Annual Meeting of Shareholders held on October 21, 1988).	-
b)	The 1988 Non-Qualified Stock Option Plan for Officers, Key Employees and Directors (Incorporated reference to Exhibit C of the Proxy Statement for the Annual Meeting of Shareholders held on October 21,1988).	-
c)	Amendment to 1988 Incentive Stock Option Plan of Twin Disc, Incorporated (Incorporated by reference to Exhibit A of the Proxy Statement for the Annual Meeting of Shareholders held on October 15, 1993).	-
d)	Amendment to 1988 Non-Qualified Incentive Stock Option Plan for Officers, Key Employees and Directors of Twin Disc, Incorporated (Incorporated by reference to Exhibit B of the Proxy Statement for the Annual Meeting of Shareholders held on October 15, 1993).	-
e)	Form of Severance Agreement for Senior Officers and form of Severance Agreement for Other Officers (Incorporated by reference to Exhibit 10(c) and (d), respectively, of the Company's Form 10-K for the year ended June 30, 1989).	-
f)	Supplemental Retirement Plan (Incorporated by reference to Exhibit 10(a) of the Company's Form 10-K for the year ended June 30, 1986).	-
g)	Director Tenure and Retirement Policy (Incorporated by reference to Exhibit 10(f) of the Company's Form 10-K for the year ended June 30, 1993).	-
h)	Form of Twin Disc, Incorporated Corporate Short Term Incentive Plan (Incorporated by reference to Exhibit 10(g) of the Company's Form 10-K for the year ended June 30, 1993).	-

EXHIBIT INDEX
continued

Exhibit	Description	Page
13	Annual Report of the Registrant for the year ended June 30, 1997	16
21	Subsidiaries of the Registrant	39
23	Consent of Independent Accountants	40
24	Power of Attorney	41
27	Financial Data Schedule for the year ended June 30, 1997	42
	Foreign Affiliate Separate Financial Statements	
99a)	Niigata Converter Co., Ltd. financial statements for the year ended March 31, 1995 prepared in accordance with Japanese Commercial Code (Incorporated by reference to Exhibit 99(a) of the Company's Form 10-K for the year ended June 30, 1995).	-
b)	Niigata Converter Co., Ltd. financial statements for the year ended March 31, 1994 prepared in accordance with Japanese Commercial Code (Incorporated by reference to Exhibit 99(b) of the Company's Form 10-K for the year ended June 30, 1995).	-

EXHIBIT 13

FINANCIAL HIGHLIGHTS

	1997	1996	1995
Net Sales	$189,942	$176,657	$164,232
Net Earnings	7,729	6,559	5,672
Net Earnings Per Share	2.78	2.36	2.03
Dividends Per Share	.70	.70	.70
Average Shares Outstanding For The Year	2,781,174	2,776,805	2,790,111

Sales and Earnings by Quarter

1997	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year
Net Sales	$40,941	$45,496	$49,204	$54,301	$189,942
Gross Profit	8,687	10,980	11,724	12,428	43,819
Net Earnings	1,132	1,742	1,916	2,939	7,729
Net Earnings Per Share	.41	.63	.69	1.05	2.78
Dividends Per Share	.175	.175	.175	.175	.70
Stock Price Range:					
High	23 5/8	23 5/8	25 1/8	28 3/4	28 3/4
Low	21 3/4	21 3/8	21 3/8	23 3/8	21 3/8

Sales and Earnings by Quarter

1996	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year
Net Sales	$36,775	$41,763	$47,209	$50,910	$176,657
Gross Profit	7,093	9,295	11,340	13,149	40,877
Net Earnings	221	1,263	1,808	3,267	6,559
Net Earnings Per Share	.08	.45	.65	1.18	2.36
Dividends Per Share	.175	.175	.175	.175	.70
Stock Price Range:					
High	25 1/4	23 3/4	23 1/4	25 1/2	25 1/2
Low	22 1/2	22	21 3/8	22 1/4	21 3/8

Based on average shares outstanding for the period.

In thousands of dollars except per share and stock price range statistics.

Management's Discussion and Analysis of
Financial Condition and Results of Operations

RESULTS OF OPERATIONS
NET SALES, NEW ORDERS AND BACKLOG

Sales for 1997 were up over the previous year continuing a five year trend of revenue growth. Shipments into our traditional markets generally remained stable during the year with new business providing for the second consecutive year of 8percent sales growth. Although order rates fluctuated during the year, there was a positive trend which provided a $10 million increase in backlog by year-end.

Net sales for 1997 were $190 million, an increase of 8 percent over the $177 million reported in 1996, and 16 percent above the $164 million in 1995. All of our operations around the world contributed to the 8 percent sales increase in 1996, but the strongest showing came from our manufacturing operations and the domestic marketing subsidiaries. Demand from the marine and construction equipment markets continued, and there was new interest in modulating clutches for marine and environmental applications. There was an 8 percent sales increase again in 1997 with almost all of the improvement provided by shipments of power shift transmissions for a major vehicle contract. Though some softness occurred in demand for the lower horsepower marine transmissions at mid-year, shipments for the twelve months to our principal markets again provided a solid base of sales comparable to the previous year.

Shipments from our overseas marketing subsidiaries showed continued improvement throughout the period rising by about 10 percent in each of the past two fiscal years. Sales improvements in both years were largely related to boat building activity in the Pacific Rim with additional incremental business obtained in 1997 for Arneson surface drives in Europe.

During the period, foreign currency exchange rates had little impact on reported sales. The dollar, which had weakened against European currencies in 1995, stabilized in 1996 and became stronger in 1997 but did not significantly impact reported sales in either year. Price increases, which were implemented selectively in each year, had the overall effect of increasing revenues by less than the rate of inflation.

The backlog of orders scheduled for shipment during the next six months increased in the third quarter of fiscal 1996 on the strength of a large order for power shift transmissions. However, by June of that year backlog was down by 9 percent from a year earlier primarily due to strong year-end shipments and a reduction in past due orders. Order rates improved early in 1997 and, although there was some modest softening in selected markets by mid-year, year-end backlog was up 16 percent over the prior year.

MARGINS, COSTS AND EXPENSES

Since the late 1980's we have been rearranging and restructuring our manufacturing operations. In this continuous improvement effort, portions of both domestic and overseas manufacturing facilities have been changed several times. The most recent changes have been in our domestic plants. The clutch, PTO, and drive line business unit completed its rearrangement in late 1995 and the marine and custom transmission business units cellularization program was

completed in 1996. The benefits of those changes have been improved productivity and product delivery. Our Belgian plant, which has a more homogeneous production volume than in the U.S., has been realizing benefits of its cellularization program for the past several years.

The consolidated gross margin increased by 1 percentage point in 1996, primarily as a result of improved productivity in Europe and a favorable product mix at our Belgian operation. Domestic margins increased in the last quarter of that fiscal year as we began to realize the benefits of the manufacturing improvements. However, domestic margins were down slightly for the year due to a first quarter voluntary separation program charge and inefficiencies at mid-year related to a change in computer hardware and business systems.

In 1997, the gross margin continued to improve during the first two quarters but declined during the second half of the year and by year-end the consolidated margin was even with a year ago. Domestic margins showed year-to-year improvement throughout the year, but margins in Belgium declined in the second half. That decline was caused by a temporary drop in orders and resultant short work-weeks with reduced productivity.

Marketing, engineering, and administrative (MEA)expenses increased by 8 percent in 1996, about the same percent as the sales growth. Increases were due primarily to the addition of marketing and engineering personnel, higher computer related expense, and additional product promotion and other marketing expense.

In 1997, MEA expenses rose by almost 9 percent and increased slightly as a percent of sales. The increase occurred at our domestic location with expense of the full year of salaries for prior year marketing and engineering personnel additions, a one-time expense of an accelerated product development program, and a salaried employee bonus payment not made in the previous year. A propulsion products marketing group also was established in 1997 to focus on development of markets for our full line of marine propulsion products - transmissions, Arneson drives, and water jets.

INTEREST, TAXES AND NET EARNINGS

The increase in interest income of $1.2 million in 1997 over 1996 is attributed to interest received on an income tax refund.

The substantial increase in interest expense in 1996 was generated about equally by higher domestic debt and payment of interest related to the audit of prior years' tax returns. As discussed in more detail below, additional debt was required to finance the working capital increase. Virtually all of the short-term debt was repaid by the end of fiscal year 1997 and interest expense declined by about 8 percent in that year.

The effective income tax rate in 1995 was slightly lower than the composite of our various statutory tax rates as we were able to utilize the remaining small amount of foreign tax credit carryforwards. The tax rate rose in 1996 and 1997 due primarily to the proportionately greater foreign earnings on which a higher tax rate is applied.

As a result of the sales growth and other improvements discussed above, net earnings for 1997 were $7.7 million, an increase of 18 percent over the $6.6 million in 1996, and 36 percent over the $5.7 million in 1995.

LIQUIDITY AND CAPITAL RESOURCES

The net cash from operating activities in 1996 was a deficit of $4.1 million, down sharply from the positive cash flows of a year earlier. Despite the improved profitability in 1996, working capital increases more than offset the

positive cash flows from earnings and depreciation. Inventory increased in line with the higher sales; but, as a percent of net sales, receivables rose by two percentage points during the year. Also, current liabilities were down from the prior year. In 1997, the positive cash flows from higher earnings and depreciation were supplemented by reductions in accounts receivable and inventory, and the net cash flow from operating activities was a record $20.5 million. Receivable days outstanding and inventory turnover ended the year at their best rates since 1990. After fixing the interest rate on most of our debt with a private placement in 1996, we focused on improving cash flow and reducing short-term debt. Borrowings, primarily domestic, declined by $7 million in 1997.

Fixed asset purchases in recent years have been less than depreciation as we generally have rearranged existing machinery into cells. With that program completed, we are in a better position to identify critical equipment needs; and we expect future spending will exceed depreciation somewhat as individual cell structures are refined.

Working capital and the current ratio have risen in each of the past two years. The working capital increase of $9 million in 1996 primarily provided the funds required to support the higher sales volume. A further increase of $5.7 million this past year reflected an increase in cash and short-term investments and a reduction in short-term borrowings. The current ratio at June 30, 1997 rose to 3.3, up from 2.8 at the previous year-end.

The Company is involved in various stages of investigation relative to hazardous waste sites on the United States EPA National Priorities List. It is not possible at this time to determine the ultimate outcome of those matters; but, as discussed further in Footnote N to the consolidated financial statements, they are not expected to materially affect the Company's operations, financial position or cash flows. The Company believes the capital resources available in the form of existing cash, lines of credit and funds provided by operations will be adequate to meet anticipated requirements for capital expenditures and other foreseeable business requirements in the future.

RECENT FINANCIAL REPORTING PROUNCEMENTS

The Financial Accounting Standards Board issued Statements of Accounting Standards No. 128, "Earnings Per Share", and No. 131, "Disclosure about Segments of an Enterprise and Related Information", which are addressed in Footnotes H and I, respectively, to the consolidated financial statements.

TWIN DISC, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 1997 and 1996

(Dollars in thousands)	1997	1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,983	$ 2,043
Trade accounts receivable, net	32,428	34,917
Inventories	47,844	51,083
Deferred income taxes	3,491	2,710
Other	5,216	5,887
Total current assets	97,962	96,640
Property, plant and equipment, net	34,249	35,715
Investments in affiliates	10,880	12,079
Deferred income taxes	4,559	3,758
Intangible pension asset	4,779	8,079
Other assets	6,326	6,428
	$158,755	$162,699
LIABILITIES and SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 169	$ 7,360
Accounts payable	12,834	8,806
Accrued liabilities	16,618	17,836
Total current liabilities	29,621	34,002
Long-term debt	19,944	19,938
Accrued retirement benefits	35,393	33,578
	84,958	87,518
Shareholders' equity:		
Common shares authorized: 15,000,000; issued: 3,643,630; no par value	11,653	11,653
Retained earnings	77,424	71,658
Foreign currency translation adjustment	6,060	10,326
Minumum pension liability adjustment	(3,708)	(620)
	91,429	93,017
Less treasury stock, at cost	17,632	17,836
Total shareholders' equity	73,797	75,181
	$158,755	$162,699

The notes to consolidated financial statements
are an integral part of these statements.

TWIN DISC, INCORPORATED and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
for the years ended June 30, 1997, 1996 and 1995

(In thousands, except per share data)

	1997	1996	1995
Net sales	$189,942	$176,657	$164,232
Cost of goods sold	146,123	135,780	127,886
Gross profit	43,819	40,877	36,346
Marketing, engineering and administrative expenses	31,219	28,706	26,461
Earnings from operations	12,600	12,171	9,885
Other income (expense):			
Interest income	1,335	121	186
Interest expense	(1,781)	(1,942)	(1,281)
Equity in earnings of affiliates	307	45	186
Other, net	219	512	(392)
	80	(1,264)	(1,301)
Earnings before income taxes	12,680	10,907	8,584
Income taxes	4,951	4,348	2,912
Net earnings	$ 7,729	$ 6,559	$ 5,672
Earnings per common share, based on weighted average shares outstanding	$ 2.78	$ 2.36	$ 2.03
Weighted average shares outstanding	2,781	2,777	2,790

The notes to consolidated financial statements
are an integral part of these statements.

TWIN DISC, INCORPORATED and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended June 30, 1997, 1996 and 1995

(In thousands)	1997	1996	1995
Cash flows from operating activities:			
Net earnings	$ 7,729	$ 6,559	$ 5,672
Adjustments to reconcile to net cash provided (used) by operating activities:			
Depreciation and amortization	5,489	5,233	4,847
(Gain)loss on sale of fixed assets	(127)	(26)	65
Equity in earnings of affiliates	(307)	(45)	(186)
Provision for deferred income taxes	1,481	1,646	1,038
Dividends received from affiliate	300	548	371
Changes in operating assets and liabilities:			
Trade accounts receivable, net	1,267	(6,055)	(2,266)
Inventories	2,882	(3,926)	(3,259)
Other assets	(954)	(987)	(3,608)
Accounts payable	3,463	(3,513)	3,765
Accrued liabilities	(391)	(3,982)	2,823
Deferred retirement plan	(345)	415	(1,316)
Net cash provided (used) by operating activities	20,487	(4,133)	7,946
Cash flows from investing activities:			
Proceeds from sale of plant assets	501	18	39
Acquisitions of plant assets	(4,734)	(4,140)	(4,290)
Investment in affiliate	-	-	(3,000)
Payment for license agreement	-	(2,402)	-
Other	-	-	(172)
Net cash used by investing activities	(4,233)	(6,524)	(7,423)
Cash flows from financing activities:			
Increases (decreases) in notes payable, net	(7,182)	5,076	(1,113)
Proceeds from long-term debt	4	19,914	2,500
Principal payments on long-term debt	-	(14,000)	-
Acquisition of treasury stock	-	-	(586)
Proceeds from exercise of stock options	188	35	71
Dividends paid	(1,947)	(1,943)	(1,951)
Net cash provided (used) by financing activities	(8,937)	9,082	(1,079)
Effect of exchange rate changes on cash	(377)	(123)	131
Net change in cash and cash equivalents	6,940	(1,698)	(425)
Cash and cash equivalents:			
Beginning of year	2,043	3,741	4,166
End of year	$ 8,983	$ 2,043	$ 3,741
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	$ 1,822	$ 1,802	$ 1,288
Income taxes	3,318	4,946	2,698

The notes to consolidated financial statements are an integral part of these statements.

TWIN DISC, INCORPORATED and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
for the years ended June 30, 1997, 1996 and 1995

(In thousands)	1997	1996	1995
Common stock			
Balance, June 30	$ 11,653	$ 11,653	$ 11,653
Retained earnings			
Balance, July 1	71,658	67,054	63,353
Net earnings	7,729	6,559	5,672
Cash dividends	(1,947)	(1,943)	(1,951)
Stock options exercised	(16)	(12)	(20)
Balance, June 30	77,424	71,658	67,054
Foreign currency translation adjustment			
Balance, July 1	10,326	14,081	8,729
Current adjustment	(4,266)	(3,755)	5,352
Balance, June 30	6,060	10,326	14,081
Minimum pension liability adjustment, net			
Balance, July 1	(620)	(284)	(951)
Current adjustment, net of related income taxes ($1,975 in 1997, $215 in 1996 and $(426) in 1995)	(3,088)	(336)	667
Balance, June 30	(3,708)	(620)	(284)
Treasury stock, at cost			
Balance, July 1	(17,836)	(17,882)	(17,387)
Shares acquired	-	-	(586)
Stock options exercised	204	46	91
Balance, June 30	(17,632)	(17,836)	(17,882)
Shareholders' equity balance, June 30	$ 73,797	$ 75,181	$ 74,622

The notes to consolidated financial statements
are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

Consolidation Principles--The consolidated financial statements include the accounts of Twin Disc, Incorporated and its subsidiaries, all of which are wholly owned. Certain foreign subsidiaries are included based on fiscal years ending May 31, to facilitate prompt reporting of consolidated accounts. All significant intercompany transactions have been eliminated.

Translation of Foreign Currencies--Substantially all foreign currency balance sheet accounts are translated into United States dollars at the rates of exchange prevailing at year-end. Revenues and expenses are translated at average rates of exchange in effect during the year. Foreign currency translation adjustments are recorded as a component of shareholders' equity. Gains and losses from foreign currency transactions are included in earnings.

Cash Equivalents--The Company considers all highly liquid marketable securities purchased with a maturity date of three months or less to be cash equivalents.

Receivables--Trade accounts receivable are stated net of an allowance for doubtful accounts of $538,000 and $372,000 at June 30, 1997 and 1996, respectively.

Fair Value of Financial Instruments--The carrying amount reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximates fair value because of the immediate short-term maturity of these financial instruments. The carrying amount reported for long-term debt approximates fair value because the underlying instrument bears interest at a current market rate.

Derivative Financial Instruments--Derivative financial instruments (primarily forward foreign exchange contracts) may be utilized by the Company to hedge foreign exchange rate risk. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Company does not enter into financial instruments for trading or speculative purposes. For financial reporting purposes, forward foreign exchange contracts used to hedge the currency fluctuations on transactions denominated in foreign currencies are marked-to-market and the resulting gains and losses, together with the offsetting losses and gains on hedged transactions, are recorded in the "Other income (expense)" caption in the statement of operations.

Inventories--Inventories are valued at the lower of cost or market. Cost has been determined by the last-in, first-out (LIFO) method for parent company inventories, and by the first-in, first-out (FIFO) method for other inventories.

Property, Plant and Equipment and Depreciation--Assets are stated at cost. Expenditures for maintenance, repairs and minor renewals are charged against earnings as incurred. Expenditures for major renewals and betterments are capitalized and amortized by depreciation charges. Depreciation is provided on the straight-line method over the estimated useful lives of the assets for financial reporting and on accelerated methods for income tax purposes. The lives assigned to buildings and related improvements range from 10 to 40 years, and the lives assigned to machinery and equipment range from 5 to 15 years. Upon disposal of property, plant and equipment, the cost of the asset and the related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in earnings. Fully depreciated assets are not removed from the accounts until physical disposition.

Investments in Affiliates--The Company's 25% investments in affiliates are stated at cost, adjusted for equity in undistributed earnings since acquisition.

Revenue Recognition--Revenues are recognized when products are shipped.

Income Taxes--The Company recognizes deferred tax liabilities and assets for the expected future income tax consequences of events that have been recognized in the Company's financial statements. Under this method, deferred tax liabilities and assets are determined based on the temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the temporary differences are expected to reverse.

The Company does not provide for taxes which would be payable if undistributed earnings of its foreign subsidiaries or its foreign affiliate were remitted because the Company either considers these earnings to be invested for an indefinite period or anticipates that if such earnings were distributed, the U. S. income taxes payable would be substantially offset by foreign tax credits.

Management Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual amounts could differ from those estimates.

Reclassification--Certain amounts in the consolidated financial statements for prior years have been reclassified to conform to the 1997 presentation.

B. INVENTORIES

The major classes of inventories at June 30 were as follows:

(In thousands)	1997	1996
Finished parts	$38,713	$41,535
Work-in-process	5,997	5,429
Raw materials	3,134	4,119
	$47,844	$51,083

Inventories stated on a LIFO basis represent approximately 42% and 36% of total inventories at June 30, 1997 and 1996, respectively. The approximate current cost of the LIFO inventories exceeded the LIFO cost by $17,526,000 and $17,171,000 at June 30, 1997 and 1996, respectively.

C. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at June 30 were as follows:

(In thousands)	1997	1996
Land	$ 1,335	$ 1,399
Buildings	18,708	19,082
Machinery and equipment	87,832	88,182
	107,875	108,663
Less accumulated depreciation	73,626	72,948
	$34,249	$35,715

D. INVESTMENTS IN AFFILIATES

The Company's investments in affiliates consists of 25% interests in Niigata Converter Company, Ltd., Japan and Palmer Johnson Distributors, LLC, a domestic distributor of Twin Disc products. The Company acquired the interest in Palmer Johnson Distributors, LLC, in July 1994.

Undistributed earnings of the affiliates included in consolidated retained earnings approximated $3,127,000 and $3,120,000 at June 30, 1997 and 1996, respectively.

Combined condensed financial data of the above-listed affiliates are summarized in U.S. dollars as follows:

(In thousands)	1997	1996
Current assets	$ 87,375	$104,949
Other assets	43,582	51,263
	$130,957	$156,212

Current liabilities	$ 85,479	$100,153
Other liabilities	8,479	14,622
Shareholders' equity	36,999	41,437
	$130,957	$156,212

	1997	1996	1995
Net sales	$166,171	$183,487	$169,256
Gross profit	19,911	23,436	26,173
Net earnings	1,228	181	742

E. ACCRUED LIABILITIES

Accrued liabilities at June 30 were as follows:

(In thousands)	1997	1996
Salaries and wages	$ 5,983	$ 5,756
Retirement plans	2,150	4,122
Other	8,485	7,958
	$ 16,618	$ 17,836

F. DEBT

Short-term notes payable consists of amounts borrowed under unsecured line of credit agreements. Unused lines of credit total $18,700,000 at June 30, 1997. These lines of credit are available predominately at the LIBOR interest rate and may be withdrawn at the option of the banks. The weighted average interest rate of short-term lines outstanding at June 30, 1997 and 1996 was 7.3% and 8.4%, respectively.

Included in long term debt is $20 million of 7.37% ten-year unsecured notes, net of $77,000 unamortized debt issuance costs at June 30, 1997. These notes contain certain covenants, including the maintenance of a current ratio of not less than 1.5. Principal payments of $2,857,000 are due in the years 2000 through 2005, with the remaining balance due on June 1, 2006. Also included in long-term debt is $21,000 of debt related to a foreign subsidiary.

G. LEASE COMMITMENTS

Approximate future minimum rental commitments under noncancellable operating leases are as follows (in thousands):

Fiscal Year	
1998	$ 2,062
1999	1,543
2000	884
2001	479
2002	345
Thereafter	187
	$ 5,500

Total rent expense for operating leases approximated $2,254,000, $2,109,000 and $1,939,000 in 1997, 1996 and 1995, respectively.

H. SHAREHOLDERS' EQUITY

At June 30, 1997 and 1996, treasury stock consisted of 856,456 and 866,356 shares of common stock, respectively. The Company issued 9,900 shares of treasury stock in 1996 to fulfill its obligations under the stock option plans. The difference between the cost of treasury shares issued and the option price is charged to retained earnings.

Cash dividends per share were $.70 in 1997, 1996 and 1995.

In 1988, the Company's Board of Directors established a Shareholder Rights Plan and distributed to shareholders, one preferred stock purchase right for each outstanding share of common stock. Under certain circumstances, a right may be exercised to purchase one one-hundredth of a share of Series A Junior Preferred Stock at an exercise price of $80, subject to certain anti-dilution adjustments. The rights become exercisable ten (10) days after a public announcement that a party or group has either acquired at least 20%, (or at least 30% in the case of existing holders who currently own 20% or more of the common stock), or commenced a tender offer for at least 30%, of the Company's common stock. Generally, after the rights become exercisable, if the Company is a party to certain merger or business combination transactions, or transfers 50% or more of its assets or earnings power, or certain other events occur, each right will entitle its holders, other than the acquiring person, to buy a number of shares of common stock of the Company, or of the other party to the transaction, having a value of twice the exercise price of the right. The rights expire June 30, 1998 and may be redeemed by the Company for $.05 per right at any time until ten (10) days following the stock acquisition date. The Company is authorized to issue 200,000 shares of preferred stock, none of which have been issued. The Company has designated 50,000 shares of the preferred stock for the purpose of the Shareholder Rights Plan.

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards (FAS) 128 "Earnings Per Share", which becomes effective for the Company's 1998 fiscal year and establishes new standards for reporting earnings per share. FAS 128 is not expected to have a significant effect on the Company's earnings per share computations.

I. BUSINESS SEGMENTS AND FOREIGN OPERATIONS

The Company and its subsidiaries are engaged in one line of business, the manufacture and sale of power transmission equipment. Transfers among geographic areas are made at established intercompany selling prices. Principal products include industrial clutches, hydraulic torque converters, fluid couplings, power-shift transmissions, marine transmissions, universal joints, power take-offs, and reduction gears. The Company sells to both domestic and foreign customers in a variety of market areas, principally construction, industrial, marine, energy and natural resources and agricultural.

One customer accounted for approximately 11%, 10% and 12% of consolidated net sales in 1997, 1996 and 1995, respectively.

Information about the Company's operations in different geographic areas is summarized as follows:

(In thousands)	1997	1996	1995
Sales to unaffiliated customers:			
United States	$131,844	$120,137	$108,607
Foreign:			
Europe	34,332	34,206	35,572
Other	23,766	22,314	20,053
Total	$189,942	$176,657	$164,232
Transfers between geographic areas:			
United States	$ 28,716	$ 30,230	$ 26,167
Foreign:			
Europe	16,398	23,130	15,024
Other	415	322	361
Total	$ 45,529	$ 53,682	$ 41,552
Net sales:			
United States	$160,560	$150,367	$134,774
Foreign:			
Europe	50,730	57,336	50,596
Other	24,181	22,636	20,414
Eliminations	(45,529)	(53,682)	(41,552)
Total	$189,942	$176,657	$164,232
Earnings before income taxes:			
United States	$ 6,009	$ 2,821	$ 4,332
Foreign:			
Europe	4,378	6,126	2,635
Other	2,293	1,960	1,617
Total	$ 12,680	$ 10,907	$ 8,584
Identifiable assets at June 30:			
United States	$115,973	$117,552	$106,971
Foreign:			
Europe	33,329	36,356	39,537
Other	12,947	12,794	10,269
Eliminations	(3,494)	(4,003)	1,524
Total	$158,755	$162,699	$158,301

Net earnings of the foreign subsidiaries were $3,840,000,$4,758,000 and $2,480,000 in 1997, 1996 and 1995, respectively. The net assets of the foreign subsidiaries were $26,341,000 and $32,085,000 at June 30, 1997 and 1996, respectively. Undistributed earnings of foreign subsidiaries, on which no provisions for United States income taxes have been made, aggregated approximately $20,500,000 (including $2,022,000 translation component) at June 30, 1997. Included in earnings are foreign currency transaction gains (losses) of $334,000, $409,000 and $(248,000) in 1997, 1996 and 1995, respectively.

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards (FAS) 131 "Disclosure about Segments of an Enterprise and Related Information", which becomes effective for the Company's 1999 fiscal year. FAS 131 establishes new standards for reporting information about operating segments in financial statements. The Company is evaluating the extent to which its segment reporting may be affected by FAS 131.

J. STOCK OPTION PLANS

The Company has a non-qualified stock option plan for officers, key employees and directors to purchase up to 125,000 shares of common stock, and an incentive stock option plan for officers and key employees to purchase up to 225,000 shares of common stock. The plans are administered by the Executive Selection and Compensation Committee of the Board of Directors which has the authority to determine which officers and key employees will be granted options. The grant of options to non-employee directors is fixed and based on such directors' seniority. Except as described in the following sentence, all options allow for exercise prices not less than the grant date fair market value, immediate vesting and expire ten years after the date of grant. For options under the incentive stock option plan, if the optionee owns more than 10% of the total combined voting power of all classes of the Company's stock, the price will be not less than 110% of the grant date fair market value and the options expire five years after the grant date.

Shares available for future options as of June 30 were as follows:

	1997	1996
Non-qualified stock option plan	23,950	28,650
Incentive stock option plan	53,400	67,500

Stock option transactions under the plans during 1997 and 1996 were as follows:

	1997	Weighted Average Price	1996	Weighted Average Price
Non-qualified stock option plan:				
Options outstanding at beginning of year	95,350	$21.69	81,450	$21.21
Granted	15,100	21.88	13,900	24.50
Cancelled	(10,400)	23.32	-	
Exercised ($17.88-$19.50 per share)	(5,900)	19.03	-	
Options outstanding at June 30	94,150	$21.71	95,350	$21.69

Options price range ($14.00 - $20.00)

Number of shares	42,500
Weighted average price	$18.82
Weighted average remaining life	6.74 years

Options price range ($20.01 - $29.63)

Number of shares	51,650
Weighted average price	$24.09
Weighted average remaining life	6.09 years

	1997	Weighted Average Price	1996	Weighted Average Price
Incentive stock option plan:				
Options outstanding at beginning of year	151,450	$21.52	132,050	$20.78
Granted	24,250	22.05	25,050	24.89
Cancelled	(10,150)	22.57	(3,400)	23.60
Exercised ($14.00-$19.50 per share)	(4,000)	18.81	(2,250)	15.29

Options outstanding at June 30	161,550	$21.60	151,450	$21.52
Options price range ($14.00 - $20.00)				
Number of shares		71,100		
Weighted average price		$18.44		

Weighted average remaining life 6.32 years

Options price range
($20.01 - $29.63)

Number of shares 90,450

Weighted average price $24.08

Weighted average remaining life 6.23 years

The Company has elected to continue to account for its stock option plans under the guidelines of Accounting Principles Board Opinion No. 25. Accordingly, no compensation cost has been recognized in the statement of operations. Had the Company recognized compensation expense based on the fair value at the grant date for awards under the plans, consistent with the method prescribed by FASB Statement 123, the net earnings and earnings per share would have been as follows (in thousands, except per share amounts):

	1997	1996
Net earnings		
As reported	$7,729	$6,559
Pro forma	7,554	6,365
Earnings per share		
As reported	$ 2.78	$2.36
Pro forma	2.72	2.29

The above pro forma net earnings and earnings per share were computed using the fair value of options at the date of grant (for options granted after June 1995) as calculated by the Black-Scholes option-pricing method and the following assumptions: 20% volatility, 3% annual dividend yield, interest rates based on expected terms and grant dates, 3 year term for the Non-Qualified Plan and 5 year term for the Incentive Plan and exercise price equal to the fair market value on grant date for the Non-Qualified Plan and 110% of the fair market value on grant date for the Incentive Plan.

K. ENGINEERING AND DEVELOPMENT COSTS

Engineering and development costs include research and development expenses for new products, development and major improvements to existing products, and other charges for ongoing efforts to refine existing products. Research and development costs charged to operations totalled $3,517,000, $2,564,000 and $2,718,000 in 1997, 1996 and 1995, respectively. Total engineering and development costs were $8,288,000, $6,998,000 and $7,411,000 in 1997, 1996 and 1995, respectively.

L. RETIREMENT PLANS

The Company has noncontributory, qualified defined benefit pension plans covering substantially all domestic employees and contributory plans covering certain foreign employees. Domestic plan benefits are based on years of service, and for salaried employees on final average compensation. The Company's funding policy for the plans covering domestic employees is to contribute an actuarially determined amount which falls between the minimum and maximum amount that can be contributed for federal income tax purposes. Domestic plan assets consist principally of listed equity and fixed income securities.

In addition, the Company has unfunded, non-qualified retirement plans for certain management employees and directors. Benefits are based on final average compensation and do not vest until such management employee reaches normal retirement with the Company.

Net pension expense for the Company's domestic defined benefit plans consists of the following components:

(In thousands)	1997	1996	1995
Service cost-benefits earned during the year	$ 1,636	$ 1,529	$ 1,585
Interest cost on projected benefit obligation	7,056	6,823	6,643
Actual return on plan assets	(5,198)	(9,956)	(3,835)
Net amortization and deferral	(188)	5,304	(588)

Net pension cost	$ 3,306	$ 3,700	$ 3,805

The following table sets forth the Company's domestic defined benefit plans' funded status and the amounts recognized in the Company's balance sheets as of June 30:

(In thousands)	1997	1996
Actuarial present value of benefit obligations:		
Vested benefit obligation	$ 76,030	$ 70,042
Non-vested benefit obligation	12,451	15,683
Accumulated benefit obligation	88,481	85,725
Effect of projected future compensation levels	552	4,622
Projected benefit obligation	89,033	90,347
Plan assets at fair value	(76,097)	(73,422)
Deficiency of plan assets compared to projected benefit obligation	12,936	16,925
Unrecognized net loss	(7,012)	(4,042)
Unrecognized prior service cost	(3,427)	(8,656)
Unrecognized transitional net liability	(535)	(667)
Adjustment required to recognize additional minimum liability	10,858	9,095
Accrued retirement cost at June 30	$ 12,820	$ 12,655

Assumptions used in accounting for the retirement plans are as follows:

	1997	1996
Discount rate	8.0%	7.8%
Rate of increase in compensation levels	4.5%	4.5%
Expected long-term rate of return on plan assets	9.0%	9.0%

Total accrued retirement costs at June 30 are summarized as follows:

(In thousands)	1997	1996
Current:		
Domestic defined benefit plans	$ (493)	$ 1,156
Foreign contributory benefit plans	446	673
	(47)	1,829
Long-term:		
Domestic defined benefit plans	13,313	11,499
	$13,266	$13,328

Effective as of January 1, 1997, the Twin Disc, Incorporated Retirement Plan for Salaried Employees was amended to freeze the benefit formula in effect prior to January 1, 1997 and to change the formula for benefit accruals to a cash balance pension plan. The effect of this change was to decrease the unrecognized prior service cost by $4.2 million.

Retirement plan expense for the Company's foreign plans was $325,000, $597,000 and $307,000 in 1997, 1996 and 1995, respectively.

The Company sponsors defined contribution plans covering substantially all domestic employees. These plans provide for employer contributions based primarily on employee participation. The total expense under the plans was $1,281,000, $1,056,000 and $906,000 in 1997, 1996 and 1995, respectively.

In addition to providing pension benefits, the Company provides health care and life insurance benefits for certain domestic retirees. All employees retiring after December 31, 1992, and electing to continue coverage through the Company's group plan, are required to pay 100% of the premium cost.

The Company recognized $2,293,000, $2,680,000 and $2,841,000 in non-pension postretirement benefit expense in 1997, 1996 and 1995, respectively, which consists primarily of interest cost.

The following table sets forth the status of the postretirement benefit programs (other than pensions) and amounts recognized in the Company's consolidated balance sheet at June 30:

(In thousands)	1997	1996
Accumulated postretirement benefit obligation:		
Retirees	$25,998	$28,077
Fully eligible active plan participants	440	433
Other active participants	504	471
	26,942	28,981
Unamortized net amount resulting from changes in plan experience and actuarial assumptions	(2,665)	(4,279)
Accrued postretirement benefit obligation	$24,277	$24,702

The current portion of the accumulated postretirement benefit obligation of $2,197,000 and $2,293,000 is included in accrued liabilities at June 30, 1997 and 1996, respectively.

The assumed weighted average discount rate used in determining the actuarial present value of the accumulated postretirement benefit obligation was 8.00% and 7.75% at June 30, 1997 and 1996, respectively. The assumed weighted average health care cost trend rate was 9% in fiscal year 1997, decreasing by 1% each year thereafter until it reaches 7% in fiscal year 1999, and remains constant thereafter. A 1% increase in the assumed health care trend would increase the accumulated postretirement benefit obligation by approximately $1.8 million and the interest cost by approximately $142,000.

M. INCOME TAXES

United States and foreign earnings before income taxes were as follows:

(In thousands)	1997	1996	1995
United States	$ 6,009	$ 2,821	$ 4,332
Foreign	6,671	8,086	4,252
	$12,680	$10,907	$ 8,584

The provision (credit) for income taxes is comprised of the following:

(In thousands)	1997	1996	1995
Currently payable:			
Federal	$ 913	$ 829	$ 782
State	100	78	12
Foreign	2,457	1,925	1,007
	3,470	2,832	1,801
Deferred:			
Federal	1,559	388	452
State	(51)	(54)	12
Foreign	(27)	1,182	647
	1,481	1,516	1,111
	$ 4,951	$ 4,348	$ 2,912

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The components of the net deferred tax asset as of June 30, were as follows:

(In thousands)	1997	1996
Deferred tax assets:		
Retirement plans and employee benefits	$11,605	$ 9,971
Research and development expenses	553	926
Other	2,525	1,550
Alternative minimum tax credit carryforwards	1,143	1,223
Foreign net operating loss tax and credit carryforwards	-	672
R&E tax credit carryforwards	-	335

	15,826	14,677
Deferred tax liabilities:		
Fixed assets	5,634	6,368
Other	2,142	1,841
	7,776	8,209
Total net deferred tax assets	$ 8,050	$ 6,468

Following is a reconciliation of the applicable U.S. federal income tax rate to the effective tax rates reflected in the statements of operations:

	1997	1996	1995
U.S. federal income tax rate	34.0%	34.0%	34.0%
Increases (reductions) in tax rate resulting from:			
Utilization of net operating loss carryforwards	-	-	(1.6)
Foreign tax items	.2	4.2	(1.8)
Employee benefits - foreign	-	-	1.8
Accrual for prior years	3.7	-	-
Other, net	1.1	1.7	1.5
	39.0%	39.9%	33.9%

N. CONTINGENCIES

The Company is involved in various stages of investigation relative to hazardous waste sites, two of which are on the United States EPA National Priorities List (Superfund sites). The Company's assigned responsibility at each of the Superfund sites is less than 2%. The Company has also been requested to provide administrative information related to two other potential Superfund sites but has not yet been identified as a potentially responsible party. Additionally, the Company is subject to certain product liability matters.

At June 30, 1997 the Company has accrued approximately $1,320,000, which represents management's best estimate available for possible losses related to these contingencies. This amount has been provided over the past several years. Based on the information available, the Company does not expect that any unrecorded liability related to these matters would materially affect the consolidated financial position, results of operations or cash flows.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders
Twin Disc, Incorporated
Racine, Wisconsin

We have audited the accompanying consolidated balance sheets of Twin Disc, Incorporated and Subsidiaries as of June 30, 1997 and 1996, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the three years in the period ended June 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Twin Disc, Incorporated and Subsidiaries as of June 30, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 1997 in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Milwaukee, Wisconsin
July 18, 1997

FINANCIAL SUMMARY

(In thousands of dollars, except where noted)	1997	1996	1995	1994	1993
Statement of Operations					
Net sales	$189,942	$176,657	$164,232	$141,193	$139,403
Costs and expenses, including marketing, engineering and administrative	177,342	164,486	154,347	136,244	135,284
Earnings from operations	12,600	12,171	9,885	4,949	4,119
Other income (expense)	80	(1,264)	(1,301)	18	(95)
Earnings before income taxes	12,680	10,907	8,584	4,967	4,024
Income taxes	4,951	4,348	2,912	578	1,362
Net earnings	7,729	6,559	5,672	4,389	2,662
Overseas operations					
Sales	58,098	55,520	55,625	45,862	44,766
Earnings (loss)	3,840	4,758	2,480	2,365	1,673
Balance Sheet					
Assets					
Cash and equivalents	8,983	2,043	3,741	4,166	2,903
Receivables, net	32,428	34,917	29,247	25,682	25,106
Inventories	47,844	51,083	47,157	41,569	42,562
Other current assets	8,707	8,597	10,345	8,993	6,961
Total current assets	97,962	96,640	90,490	80,410	77,532
Investments and other assets	26,544	30,344	30,463	26,830	21,813
Fixed assets less accumulated depreciation	34,249	35,715	37,348	36,676	37,560
Total assets	158,755	162,699	158,301	143,916	136,905
Net assets overseas	26,341	32,085	32,368	29,580	28,059
Liabilities and Shareholders' Equity					
Current liabilities	29,621	34,002	36,852	32,710	31,252
Long-term debt	19,944	19,938	14,000	11,500	13,000
Deferred liabilities	35,393	33,578	32,827	34,309	31,244
Shareholders' equity	73,797	75,181	74,622	65,397	61,409
Total liabilities and shareholders' equity	158,755	162,699	158,301	143,916	136,905

1993 Net Earnings data and Return percentages reflect operating earnings before the effect of adopting Financial Accounting Standards 106 and 109. The cumulative effect of their adoption was a net loss of $14.44 million or $5.16 per share.

FINANCIAL SUMMARY (CONTINUED)

(In thousands of dollars, except where noted)

	1997	1996	1995	1994	1993
Comparative Financial Information					
Per share statistics					
Net earnings	2.78	2.36	2.03	1.57	.95
Dividends	.70	.70	.70	.70	.70
Shareholders' equity	26.48	27.07	26.75	23.36	21.93
Return on equity	10.5%	8.7%	7.6%	6.7%	4.3%
Return on assets	4.9%	4.0%	3.6%	3.0%	1.9%
Return on sales	4.1%	3.7%	3.5%	3.1%	1.9%
Average shares outstanding	2,781,174	2,776,805	2,790,111	2,799,390	2,799,603
Number of shareholder accounts	845	913	996	1,058	1,139
Number of employees	1,081	1,080	1,097	1,099	1,114
Additions to plant and equipment	4,734	4,140	4,290	4,216	4,684
Depreciation	5,141	5,071	4,792	4,670	4,958
Net working capital	68,341	62,638	53,638	47,700	46,280

1993 Net Earnings data and Return percentages reflect operating earnings before the effect of adopting Financial Accounting Standards 106 and 109. The cumulative effect of their adoption was a net loss of $14.44 million or $5.16 per share.

DIRECTORS

MICHAEL E. BATTEN
Chaiman, Chief Executive Officer
JEROME K. GREEN
Former Group Vice President, The Marmon Group, (A Diversified Manufacturer), Chicago, Illinois
MICHAEL H. JOYCE
President, Chief Operating Officer
JAMES O. PARRISH
Vice President-Finance & Treasurer
PAUL J. POWERS
Chairman, President-Chief Executive Officer, Commercial Intertech Corp., (Manufacturer of Hydraulic Components, Fluid Purification Products, Pre-Engineered Buildings and Stamped Metal Products), Youngstown, Ohio
RICHARD T. SAVAGE
President-Chief Executive Officer, Modine Manufacturing Company, (Manufacturer of Heat Exchange Equipment), Racine, Wisconsin
DAVID L. SWIFT
Retired Chairman, President-Chief Executive Officer, Acme-Cleveland Corporation, (Manufacturer of Diversified Industrial Products), Pepper Pike, Ohio
STUART W. TISDALE
Retired Chairman-Chief Executive Officer, WICOR, Inc. (Parent Company of Wisconsin Gas Company, Sta-Rite Industries, Incorporated and WEXCO of Delaware, Incorproated), Milwaukee, Wisconsin
GEORGE E. WARDEBERG
President, Chief Executive Officer, WICOR, Inc. (Parent Company of Wisconsin Gas Company, Sta-Rite Industries, Incorporated and WEXCO of Delaware, Incorproated), Milwaukee, Wisconsin
DAVID R. ZIMMER
Executive Vice President-Operations, United Dominion Industries, (Manufacturer of Diversified Engineered Products), Charlotte, North Carolina

OFFICERS

MICHAEL E. BATTEN
  Chairman, Chief Executive Officer
MICHAEL H. JOYCE
  President, Chief Operating Officer
JAMES O. PARRISH
  Vice President-Finance & Treasurer
PHILIPPE PECRIAUX
  Vice President-Europe
JAMES MCINDOE
  Vice President-International Marketing
LANCE J. MELIK
  Vice President-Corporate Development
FRED H. TIMM
  Corporate Controller & Secretary
PAUL A. PELLIGRINO
  Vice President-Engineering
JOHN W. SPANO
  Vice President-Sales and Marketing

CORPORATE DATA

ANNUAL MEETING
Corporate Offices, 2:00 PM, October 17, 1997
SHARES TRADED
New York Stock Exchange: Symbol TDI
ANNUAL REPORT ON SECURITIES AND EXCHANGE COMMISSION FORM 10-K
SINGLE COPIES OF THE COMPANY'S 1997 ANNUAL REPORT ON SECURITIES AND EXCHANGE COMMISSION FORM 10-K WILL BE PROVIDED WITHOUT CHARGE TO SHAREHOLDERS AFTER SEPTEMBER 30, 1997, UPON WRITTEN REQUEST DIRECTED TO THE SECRETARY, TWIN DISC, INCORPORATED, 1328 RACINE STREET, RACINE, WISCONSIN 53403.
TRANSFER AGENT & REGISTRAR
Firstar Trust Company, Milwaukee, Wisconsin
INDEPENDENT ACCOUNTANTS
Coopers & Lybrand L.L.P., Milwaukee, Wisconsin
GENERAL COUNSEL
von Briesen, Purtell, & Roper,s.c., Milwaukee, Wisconsin
CORPORATE OFFICES
Twin Disc, Incorporated, Racine, Wisconsin 53403, Telephone: (414) 638-4100
WHOLLY OWNED SUBSIDIARIES
Twin Disc International S.A., Nivelles, Belgium
Twin Disc Spain, S.A., Madrid, Spain
Twin Disc Italia S.R.L., Viareggio, Italy
Twin Disc (Pacific) Pty. ltd., Brisbane, Queensland, Australia
Twin Disc (Far East) Ltd., Singapore
Twin Disc (South Africa) Pty. Ltd., Johannesburg, South Africa
Mill-Log Equipment Co., Inc., Coburg, Oregon
Southern Diesel Systems Inc., Miami, Florida
TD Electronics, Inc., Loves Park, Illinois
PARTIALLY OWNED AFFILIATES
Niigata Converter Company, Ltd., Kamo, Omiya and Tokyo, Japan
Palmer Johnson Distributors, LLC, Sturgeon Bay, Wisconsin
MANUFACTURING FACILITIES
Racine, Wisconsin; Nivelles, Belgium; Kamo and Omiya Japan
SALES OFFICES
DOMESTIC
Racine, Wisconsin; Coburg, Oregon; Seattle, Washington; Miami, Florida; Jacksonville, Florida
OVERSEAS
Nivelles, Belgium; Brisbane and Perth Australia; Singapore; Johannesburg, South Africa; Madrid, Spain; Viareggio, Italy
AFFILIATES
Tokyo, Japan; Sturgeon Bay, Wisconsin
MANUFACTURING LICENSES
Niigata Converter Company, Ltd., Tokyo, Japan; Transfluid S.R.L., Milan, Italy; Nakamura Jico Co. Ltd., Tokyo, Japan; Hindustan Motors, Ltd., Madras, India

EXHIBIT 21

SUBSIDIARIES OF REGISTRANT

Twin Disc, Incorporated, the registrant (a Wisconsin Corporation) owns 100% of the following subsidiaries:

1. Twin Disc International, S.A. (a Belgian corporation)
2. Twin Disc Spain, S.A. (a Spanish corporation)
3. Twin Disc Italia S.R.L. (an Italian corporation)
4. Twin Disc (Pacific) Pty. Ltd. (an Australian corporation)
5. Twin Disc (Far East) Ltd. (a Delaware corporation operating in Singapore and Hong Kong)
6. Twin Disc (South Africa) Pty. Ltd. (a South African corporation)
7. Mill-Log Equipment Co., Inc. (an Oregon corporation)
8. Southern Diesel Systems Inc. (a Florida corporation)
9. TD Electronics, Inc. (a Wisconsin corporation)

The registrant has no parent nor any other subsidiaries. All of the above subsidiaries are included in the consolidated financial statements.

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Twin Disc, Incorporated on Form S-8 (Twin Disc, Incorporated 1988 Incentive Stock Option Plan and Twin Disc, Incorporated 1988 Non-Qualified Stock Option Plan for Officers, Key Employees and Directors) of our reports dated July 18, 1997, on our audits of the consolidated financial statements and financial statement schedule of Twin Disc, Incorporated as of June 30, 1997 and 1996 and for the years ended June 30, 1997, 1996 and 1995, which reports are included in this Annual Report on Form 10-K.

COOPERS & LYBRAND L.L.P.

Milwaukee, Wisconsin
September 19, 1997

EXHIBIT 24

POWER OF ATTORNEY

The undersigned directors of Twin Disc, Incorporated hereby severally constitute Michael E. Batten and James O. Parrish , and each of them singly, true and lawful attorneys with full power to them, and each of them, singly, to sign for us and in our names as directors the Form 10-K Annual Report for the fiscal year ended June 30, 1997 pursant to Section 13 or 15(d) of the Securities Exchange Act of 1934, and generally do all such things in our names and behalf as directors to enable Twin Disc, Incorporated to comply with the provisions of the Securities and Exchange Act of 1934 and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures so they may be signed by our attorneys, or either of them, as set forth below.

JEROME K. GREEN Jerome K. Green, Director	July 25, 1997
PAUL J. POWERS Paul J. Powers, Director	
RICHARD T. SAVAGE Richard T. Savage, Director	
DAVID L. SWIFT David L. Swift, Director	
STUART W. TISDALE Stuart W. Tisdale, Director	
DAVID R. ZIMMER David R. Zimmer, Director	
GEORGE E. WARDEBERG George E. Wardeberg, Director	

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED
FROM THE
CONSOLIDATED FINANCIAL STATEMENTS OF TWIN DISC, INCORPORATED AND
SUBSIDIARIES
SET FORTH IN THE ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDED
JUNE 30, 1997
AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL
STATEMENTS.

1,000

YEAR
JUN-30-1997
JUN-30-1997
8,983
0
32,966
538
47,844
97,962
107,875
73,626
158,755
29,621
19,944
0
0
11,653
62,144
158,755
189,942
189,942
146,123
146,123
0
0
1,781
12,680
4,951
7,729
0
0
0
7,729
2.78
0