SECURITIES AND EXCHANGE COMMISSION
WASHINGTON
Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended December 31, 1995   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 No.)
1328 Racine Street, Racine, Wisconsin	53403
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (414) 638-4000

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 .

At December 31, 1995, the registrant had 2,777,024 shares of its common stock outstanding.

FINANCIAL STATEMENTS

TWIN DISC, INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31 1995 (Thousands)	June 30 1995
(Unaudited)		
Assets		
Cash and cash equivalents	$ 3,918	$ 3,741
Accounts and notes receivable	26,659	29,247
Inventories	55,227	47,157
Deferred income taxes	3,865	3,865
Other current assets	6,369	6,480
Total current assets	96,038	90,490
Property, plant and equipment	109,901	109,447
Accumulated Depreciation	73,160	72,099
Net property, plant and equipment	36,741	37,348
Deferred income taxes	4,697	4,119
Intangible pension asset	8,293	8,293
Other assets	17,648	18,051
	$163,417	$158,301
Liabilities		
Notes payable	$ 6,375	$ 2,415
Accounts payable	11,529	12,395
Accrued liabilities	24,531	22,042
Total current liabilities	42,435	36,852
Long-term debt	14,028	14,000
Accrued postretirement benefits	32,769	32,827
Total liabilities	89,232	83,679
Shareholders' Equity		
Common stock	11,653	11,653
Retained earnings	67,555	67,054
Translation component	12,818	13,797
	92,026	92,504
Treasury stock	17,841	17,882
	74,185	74,622
	$163,417	$158,301

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

TWIN DISC, INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended December 31 1995	1994	Six Months Ended December 31 1995	1994
Net sales	$41,763	$41,102	$78,538	$72,702
Cost of goods sold	32,468	31,856	62,150	57,012
	9,295	9,246	16,388	15,690
Marketing, engineering and administrative expenses	6,992	6,945	13,262	12,796
Interest expense	370	320	700	580
Other income, net	(188)	(320)	(123)	(312)
	7,174	6,945	13,839	13,064
Earnings before income tax	2,121	2,301	2,549	2,626
Income taxes	858	917	1,065	1,059
Net earnings	$ 1,263	$ 1,384	$ 1,484	$ 1,567
Earnings per share	$ .45	$ .49	$ .53	$ .56
Dividends per share	$ .175	$ .175	$ .35	$ .35
Average shares outstanding (thousands)	2,777	2,799	2,776	2,799
Translation component of equity				
Balance - beginning of the period	$12,808	$ 8,603	$13,797	$ 7,778
Translation adjustment	10	(183)	(979)	642
Balance - end of the period	$12,818	$ 8,420	$12,818	$ 8,420

In thousands of dollars except per share statistics and average shares outstanding. Per share figures are based on average shares outstanding.

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

TWIN DISC, INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(Thousands)	Six Months Ended December 31 1995	1994
Cash flows from operating activities:		
Net earnings	$ 1,484	$ 1,567
Non-cash adjustments to net earnings:		
Depreciation	2,419	2,084
Loss on sale of fixed assets	4	20
Net change in working capital, excluding cash and debt	(5,482)	(2,184)
	(1,575)	1,487
Cash flows from investing activities:		
Acquisitions of fixed assets	(1,952)	(1,789)
Proceeds from sale of fixed assets	3	9
Dividends received	548	-
Investment in affiliates	-	(3,000)
	(1,401)	(4,780)
Cash flows from financing activities:		
Increase in notes payable,net	4,068	2,636
Proceeds from long-term debt	8	1,250
Proceeds from exercise of stock options	30	-
Dividend payments	(972)	(980)
	3,134	2,906
Effect of exchange rate changes on cash	19	193
Net change in cash and cash equivalents	177	(194)
Cash and cash equivalents:		
Beginning of period	3,741	4,166
End of period	$ 3,918	$ 3,972

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

A. Basis of Presentation

The unaudited financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and, in the opinion of the Company, include all adjustments, consisting only of normal recurring items, necessary for a fair statement of results for each period. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such SEC rules and regulations. The Company believes that the disclosures made are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with financial statements and the notes thereto included in the Company's latest Annual Report. The year end condensed balance sheet data was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles.

B. Inventory

The major classes of inventories were as follows (in thousands):

	December 31 1995	June 30 1995
Inventories:		
Finished parts	$43,542	$32,887
Work in process	7,528	11,036
Raw materials	4,157	3,234
	$55,227	$47,157

C. 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 December 31, 1995, the Company has accrued approximately $1,200,000, which represents the best estimate available for the possible losses. This amount has been accrued 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Demand for Twin Disc products was maintained throughout the quarter at a levels higher than last year, but, as a result of a shipping disruption at our domestic operation, net sales for the period were virtually unchanged from a year ago. However, even without that shipping disruption, sales would not have shown the double digit increases of the past four quarters. The moderate earnings decline resulted from the same disruption as most other operations reported year-to-year earnings gains.

Quarterly net sales from domestic manufacturing were down from a year ago as a result of disruptions related to installation of new computer systems. In late November, we converted our domestic computer mainframe to an IBM AS-400 and installed all new business systems software. The new generation of hardware integrates our networked desktop computers with the company business systems and provides much more powerful tools with which to serve our customers. In conjunction with the implementation of the new systems, which provide for better control within each of our various business units, it was necessary to conduct a complete physical inventory as of the conversion date. The hardware conversion, physical inventory, and implementation of the new business systems were completed successfully during the last two weeks of November; but the time and manpower required for these activities, as well as some continuing system performance difficulties, adversely impacted shipping schedules for November and December. The performance difficulties have been resolved and, with shipments back on schedule, the December shortfall is expected to be recovered in the third quarter. The most significant disruption was to the flow of more profitable renewal parts shipments resulting in a disproportionate impact on earnings. With normal operations in November and December, we estimate there would have been a moderate increase in consolidated sales for the quarter although slightly less than the double digit year-to-year increases reported in the past four quarters.

The shortfall in domestic shipments was offset by gains at our domestic marketing subsidiaries and by continuing strong performance from our European operations which reported a 30 percent increase over last year. The largest component of the improvement was a 24 percent increase in sales from our Belgian subsidiary, but marketing operations contributed as well, especially TD Italia reporting its first year of sales as a Twin Disc subsidiary. Other overseas marketing subsidiaries reported slight declines in sales for the quarter but profitability remained stable. Volume improvements continued to be led by the worldwide demand for marine transmissions, primarily for use in pleasure craft, and mobile torque converters used in light construction equipment.

Cost of goods sold as a percentage of sales was comparable to the second quarter last year and showed improvement over the seasonally high first quarter. Our Belgian manufacturing operation continues to improve margins as a result of greater volume and more efficient operations. With lower volume than expected, an unfavorable sales mix, and higher operating costs, domestic margins were down compared to last year. However, with the manufacturing cells and new business systems now in place, the tools are available to produce more efficiently in the domestic plants.

Marketing, engineering, and administrative expenses were up slightly from last year as minor increases were caused by the translation of expenses overseas. Interest expense increased primarily as a result of the higher domestic debt, but interest rates also have risen slightly since last year.

Working capital increased by $1.3 million during the quarter and is about equal to the balance at year-end. The current ratio remained the same as the previous quarter but, at 2.3, is slightly below the ratio in June. There was a modest decline in accounts receivable during the quarter, but inventory rose by $3 million to a level approximately 16 percent above the prior year-end. While a small portion of the increase is due to exchange rate differences, almost all of the increase has been at our domestic operation. It is caused by a continuing past due order situation and aggravated by the inability to ship according to schedule in November and December. Cash flow from operating activities for the year to-date has not been sufficient to cover the increase in working capital, so debt was increased by approximately $1.2 million during the past quarter and is $4 million above the June balance. Despite the increase in borrowings, our balance sheet remains strong and we continue to have liquidity sufficient for our near-term needs.

OTHER INFORMATION

There were no reports on Form 8-K during the three months ended December 31, 1995. The financial statements included herein have been subjected to a limited review by Coopers & Lybrand L.L.P., the registrant's independent public auditors, in accordance with professional standards and procedures for such review.

There were no securities of the Company sold by the Company during the three months ended December 31, 1995 which were not registered under the Securities Act of 1933, in reliance upon an exemption from registration provided by Section 4 (2) of the Act.

At the Annual Meeting of Shareholders held October 20, 1995, the number of votes cast for, against or abstentions with respect to each matter were as follows:

1. Election of Directors:
   a) To serve until Annual Meeting in 1998:

James O. Parrish	For: 2,601,061	Authority withheld: 7,147
Paul J. Powers	For: 2,600,628	Authority withheld: 7,580
Stuart W. Tisdale	For: 2,598,142	Authority withheld: 10,066

   b) To serve until Annual Meeting in 1996:

David L. Swift	For: 2,599,984	Authority withheld: 8,224
David R. Zimmer	For: 2,600,171	Authority withheld: 8,037

2. Election of the firm of Coopers & Lybrand L.L.P. as independent public auditors to examine the accounts for the fiscal year of 1996:

For: 2,601,192	Against: 1,869	Abstain: 5,147

SIGNATURE

Pursuant to the requirements 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
(Registrant)

February 1, 1996	/S/ FRED H. TIMM
(Date)	Fred H. Timm Corporate Controller and Secretary

Report of Independent Accountants

Board of Directors
Twin Disc, Incorporated
Racine, Wisconsin

We have reviewed the condensed consolidated balance sheet of Twin Disc, Incorporated and subsidiaries as of December 31, 1995, and the related condensed consolidated statements of operations and cash flows for the three and six-month periods ended December 31, 1995 and 1994. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical review procedures to financial data, and making inquiries of persons responsible for financial accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of June 30, 1995, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated July 28, 1995, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of June 30, 1995, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/
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Coopers & Lybrand

Milwaukee, Wisconsin
January 17, 1996

[TYPE] EX-15

EXHIBIT 15

Awareness Letter of Independent Accountants

Securities and Exchange Commission
Washington, D.C.

RE: Twin Disc, Incorporated

We are aware that our report dated January 17, 1996 on our review of interim financial information of Twin Disc, Incorporated for the three and six-month periods ended December 31, 1995 and 1994 and included in the Company's quarterly report on Form 10-Q for the quarter then ended, is incorporated 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). Pursuant to Rule 436(c) under the Securities Act of 1933, this report should not be considered a part of the registration statement prepared or certified by us within the meaning of Sections 7 and 11 of that Act.

/S/
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Coopers & Lybrand

Milwaukee, Wisconsin
January 23, 1996

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED
FROM THE TWIN DISC, INCORPORATED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
SET FORTH IN THE THIRD QUARTER REPORT TO SHAREHOLDERS FOR THE NINE
MONTHS
ENDED DECEMBER, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO
SUCH
FINANCIAL STATEMENTS.

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JUN-30-1995
DEC-31-1995
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