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 March 31, 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 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 March 31, 1997, the registrant had 2,783,574 shares of its common stock outstanding.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31 1997	June 30 1996
Assets		
Cash and cash equivalents	$ 7,803	$ 2,043
Accounts and notes receivable	31,263	34,917
Inventories	50,918	51,083
Deferred income taxes	3,403	2,710
Other current assets	5,113	5,887
Total current assets	98,500	96,640
Property, plant and equipment	108,788	108,663
Accumulated depreciation	74,105	72,948
Net property, plant and equipment	34,683	35,715
Deferred income taxes	3,920	3,758
Intangible pension asset	8,079	8,079
Other assets	17,467	18,507
	$162,649	$162,699
Liabilities		
Notes payable	$ 2,195	$ 7,360
Accounts payable	11,037	8,806
Accrued liabilities	19,533	17,836
Total current liabilities	32,765	34,002
Long-term debt	19,943	19,938
Accrued postretirement benefits	33,653	33,578
Total liabilities	86,361	87,518
Shareholders' Equity		
Common stock	11,653	11,653
Retained earnings	74,976	71,658
Translation component	7,365	9,706
	93,994	93,017
Treasury stock	17,706	17,836
	76,288	75,181
	$162,649	$162,699

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

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31		Nine Months Ended March 31	
	1997	1996	1997	1996
Net sales	$49,204	$47,209	$135,641	$125,747
Cost of goods sold	37,480	35,869	104,250	98,019
	11,724	11,340	31,391	27,728
Marketing, engineering and administrative expenses	7,819	7,934	22,553	21,196
Interest expense	443	399	1,418	1,099
Other (income)and expense, net	133	6	(951)	(117)
	8,395	8,339	23,020	22,178
Earnings before income tax	3,329	3,001	8,371	5,550
Income taxes	1,413	1,193	3,581	2,258
Net Earnings	$ 1,916	$ 1,808	$ 4,790	$ 3,292
Earnings per share	$ 0.69	$ 0.65	$ 1.73	$ 1.18
Dividends per share	$ .175	$ .175	$ .525	$ .525
Average shares outstanding	2,783	2,777	2,780	2,777
Translation component of equity				
Balance - beginning of the period	$ 9,562	$12,818	$ 9,706	$ 13,797
Translation adjustment	(2,197)	(586)	(2,341)	(1,565)
Balance - end of the period	$ 7,365	$12,232	$ 7,365	$ 12,232

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.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended March 31 1997	1996
Cash flows from operating activities:		
Net earnings	$ 4,790	$ 3,292
Non-cash adjustments to net earnings:		
Depreciation	3,754	3,789
Gain on sale of fixed assets	(239)	-
Dividends received	200	548
Net change in working capital, excluding cash and debt	6,849	(11,800)
	15,354	(4,171)
Cash flows from investing activities:		
Acquisitions of fixed assets	(3,264)	(2,887)
Proceeds from sale of fixed assets	436	3
Investments in licenses	-	(1,238)
	(2,828)	(4,122)
Cash flows from financing activities:		
Increase (decrease) in notes payable, net	(5,145)	2,391
Proceeds from long-term debt	-	6,010
Dividend payments	(1,460)	(1,458)
Treasury stock activity	118	-
Proceeds from exercise of stock options	-	31
	(6,487)	6,974
Effect of exchange rate changes on cash	(279)	16
Net change in cash and cash equivalents	5,760	(1,303)
Cash and cash equivalents:		
Beginning of period	2,043	3,741
End of period	$ 7,803	$ 2,438

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 account 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):

	March 31 1997	June 30 1996
Inventories:		
Finished parts	$30,654	$41,535
Work in process	16,224	5,429
Raw materials	4,040	4,119
	$50,918	$51,083

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 March 31, 1997, 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

Shipments of powershift transmissions to Tatra, the Czech Republic truck manufacturer, provided the incremental volume that allowed continuation of the year-to-year quarterly sales improvements. Consolidated sales were up 4 percent from the third quarter last year and are about 8 percent ahead for the nine months. Net earnings were about 6 percent higher than last year's third quarter as a result of the higher sales and improved domestic manufacturing productivity.

Quarterly net sales from domestic manufacturing operations were up from a year ago due to the transmission sales mentioned above. We also increased shipments of marine transmissions for fishing boat and other commercial marine applications. Those improvements offset minor declines in our clutch, power take-off, and aftermarket businesses.

Sales from our Belgian manufacturing subsidiary continued to lag last year primarily as a result of a decline in demand for pleasure craft marine transmissions. In addition, the strengthening of the dollar against European currencies during the past year reduced the dollar sales reported by that operation.

In the aggregate, sales and earnings of our marketing subsidiaries showed improvement over the same period a year ago. Results were better at several of the overseas operations, but softening domestic demand caused our U.S. subsidiaries to report lower sales and earnings than last year.

The gross margin for the quarter was slightly lower than last year but was comparable with margins in previous quarters this fiscal year. There has been an improvement in domestic margins due primarily to improved productivity. The production efficiency in our manufacturing cells has improved and is consistently higher on a month-to-month basis. Offsetting the domestic margin improvement has been the effect of the reduced volume in Belgium. Since October, that subsidiary has been operating at about 80 percent of normal output using temporary layoffs to properly size its work force.

Marketing, engineering and administrative expenses declined slightly from the level of last year s third quarter. A year ago there were some non-recurring expenses associated with the new computer system implementation and new product promotions. The stronger dollar also favorably affected the translation of certain foreign subsidiary expenses. The increase in interest expense for the third quarter was due to the higher interest rate on long-term debt and, for the nine months, also reflected higher debt levels earlier in the year. The main component of other expense was the operating loss of our Japanese affiliate recorded during the quarter.

There was a small increase in working capital during the quarter as cash and debt changes offset improving receivable and inventory turnover. Working capital now stands about $3 million higher than at the beginning of the fiscal year. The current ratio rose to 3.0 as more cash was generated by operations than was required to service our debt. For the nine months, the cash flow from earnings and depreciation was about twice that needed for fixed asset purchases and dividends, and a reduction in working capital, excluding cash and debt, for the nine months provided additional operating cash flow. We continue to maintain a strong balance sheet and believe we have liquidity sufficient to meet our near-term needs.

The Financial Accounting Standards Board recently issued Financial Accounting Standards No. 128, Earnings per Share, and No. 129, Disclosure of Information about Capital Structure, both effective for financial statements issued for periods ending after December 15, 1997. The impact of these statements on the Company's financial statements has not yet been determined.

OTHER INFORMATION

There were no reports on Form 8-K during the three months ended March 31, 1997 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 March 31, 1997, 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.

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)

______________________________ (Date)

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

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 March 31, 1997, and the related condensed consolidated statements of operations and cash flows for the three and nine-month periods ended March 31, 1997 and 1996. 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, 1996, 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 26, 1996, 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, 1996, 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
April 11, 1997

[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 April 11, 1997 on our review of interim financial information of Twin Disc, Incorporated for the three and nine-month periods ended March 31, 1997 and 1996 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
April 11, 1997

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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 MARCH 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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9-MOS
JUN-30-1996
MAR-31-1997
7,803
0
31,637
374
50,918
98,500
108,788
74,105
162,649
32,765
19,943
11,653
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0
64,635
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135,641
135,641
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104,250
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4,790
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1.73