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 September 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 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 September 30, 1997, the registrant had 2,826,474 shares of its common stock outstanding.

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30 1997	June 30 1997
Assets		
Current Assets:		
Cash and cash equivalents	$ 9,142	$ 8,983
Trade accounts receivable, net	31,016	32,428
Inventories	50,206	47,844
Deferred income taxes	3,491	3,491
Other	4,649	5,216
Total current assets	98,504	97,962
Property, plant and equipment, net	34,555	34,249
Investments in affiliates	11,051	10,880
Deferred income taxes	4,590	4,559
Intangible pension asset	4,779	4,779
Other assets	7,673	6,326
	$161,152	$158,755
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	$ 204	$ 169
Accounts payable	13,374	12,834
Accrued liabilities	17,044	16,618
Total current liabilities	30,622	29,621
Long-term debt	19,946	19,944
Accrued retirement benefits	35,439	35,393
	86,007	84,958
Shareholders' Equity:		
Common stock	11,653	11,653
Retained earnings	78,216	77,424
Foreign currency translation adjustment	5,806	6,060
Minimum pension liability adjustment	(3,708)	(3,708)
	91,967	91,429
Less treasury stock, at cost	16,822	17,632
Total shareholders' equity	75,145	73,797
	$161,152	$158,755

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 September 30 1997	Three Months Ended September 30 1996
Net sales	$47,880	$40,941
Cost of goods sold	37,944	32,254
	9,936	8,687
Marketing, engineering and administrative expenses	7,430	7,060
Interest expense	376	480
Other (income) and expense, net	(112)	(980)
	7,694	6,560
Earnings before income tax	2,242	2,127
Income taxes	886	995
Net earnings	$ 1,356	$ 1,132
Earnings per share	$ .48	$ .41
Dividends per share	$ 0.190	$ 0.175
Average shares outstanding	2,810	2,777
Translation component of equity		
Balance - beginning of the period	$ 6,060	$10,326
Translation adjustment	(254)	104
Balance - end of the period	$5,806	$10,430

Amounts in thousands except per share data. 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)

	Three Months Ended September 30 1997	1996
Cash flows from operating activities:		
Net earnings	$1,356	$1,132
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	1,280	1,263
Gain on sale of fixed assets	(358)	(238)
Equity in earnings of affiliates	123	363
Dividends received from affiliate	100	100
Net change in working capital, excluding cash and debt	(253)	1,396
	2,248	4,016
Cash flows from investing activities:		
Acquisitions of fixed assets	(1,654)	(746)
Proceeds from sale of fixed assets	417	431
Business acquisition	(1,059)	-
	(2,296)	(315)
Cash flows from financing activities:		
Increase (decrease) in notes payable, net	46	(773)
Proceeds from exercise of stock options	781	-
Dividends paid	(535)	(486)
	292	(1,259)
Effect of exchange rate changes on cash	(85)	(10)
Net change in cash and cash equivalents	159	2,432
Cash and cash equivalents:		
Beginning of period	8,983	2,043
End of period	$9,142	$4,475

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

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):

	September 30 1997	June 30 1997
Inventories:		
Finished parts	$28,676	$38,713
Work in process	18,244	5,997
Raw materials	3,286	3,134
	$50,206	$47,844

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 September 30, 1997, the Company has accrued approximately $1,350,000, 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

Net sales were 17 percent higher than the first quarter a year ago and earnings rose 20 percent continuing the year-over-year increases for the fourth consecutive year. Most of the improvement occurred at our domestic manufacturing operation where the added sales volume and higher productivity improved earnings.

Domestic sales increased primarily due to shipments of power-shift transmissions to a European vehicle manufacturer and to shipments of power take-offs and clutches used in recycling, irrigation, and oil field applications. There was continuing stable demand for marine transmissions used in commercial applications.

The volume of shipments from our Belgian operation rose more than 10 percent over last year as a result of strong demand for pleasure craft marine transmissions. However, due to a strengthening of the U.S. dollar, those higher shipments did not translate into an increase in reported dollar sales. Sales and earnings of our domestic marketing subsidiaries were up from a year ago, but, in the aggregate, our offshore operations experienced a slight decline. While the stronger dollar affected reported sales from those operations as well, the negative impact was not significant.

The consolidated gross margin for the quarter was off slightly from the same period last year with a decline in Europe more significant than the modest improvement domestically. Greater production volume and higher productivity were the key elements of the domestic improvement and helped offset the impact of an unfavorable sales mix at that operation.

Marketing, engineering, and administrative expenses for the current period were up about 5 percent from a year ago mainly due to the cost of engineering and marketing personnel added during the second half of last fiscal year. Interest expense was down from a year ago as short-term domestic borrowings were repaid during fiscal year 1997.

There was little change in working capital during the quarter, but it was $3 million higher than a year ago as a result of increased cash and marketable securities and a reduction in short-term debt. The current ratio of 3.2 also was up slightly from a year ago. Changes in other current assets during the period were consistent with prior years activity. Accounts receivable declined on seasonally lower sales volume, and inventory increased in response to higher Fall production demands. Receivable collections and inventory turnover have both shown marked improvement since last year. Positive cash flows, primarily from operating activities, were sufficient to cover capital equipment purchases, dividends, and the purchase of the assets of Wilson Equipment, an independent distributor in Western Canada. That acquisition will be operated as a subsidiary of Mill-Log Equipment, our distributor in Oregon and Washington. 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 September 30, 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 September 30, 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)

October 28,1997	/S/
(Date)	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 accompanying condensed consolidated balance sheet of Twin Disc, Incorporated and subsidiaries as of September 30, 1997, and the related condensed consolidated statements of operations and cash flows for the three-month periods ended September 30, 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, 1997, 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 18, 1997, 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, 1997, 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 L.L.P.

Milwaukee, Wisconsin
October 10, 1997

EXHIBIT 15

Awareness Letter of Independent Accountants

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

RE: Twin Disc, Incorporated

We are aware that our report dated October 10, 1997 on our review of interim financial information of Twin Disc, Incorporated for the three-month periods ended September 30, 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 L.L.P.

Milwaukee, Wisconsin
October 24, 1997

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 THREE MONTHS
ENDED SEPTEMBER
30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL
STATEMENTS.

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JUN-30-1997
SEP-30-1997
9,142
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31,477
461
50,206
98,504
108,987
74,432
161,152
30,622
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