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, 2000 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 (262) 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, 2000, the registrant had 2,807,832 shares of its common stock outstanding.

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30 2000	June 30 2000
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 4,620	$ 5,651
Trade accounts receivable, net	26,933	28,828
Inventories,net	53,585	50,190
Other	5,257	5,333
Total current assets	90,395	90,002
Property, plant and equipment, net	32,891	34,303
Investments in affiliates	7,013	6,968
Deferred income taxes	4,510	4,416
Prepaid pension asset	14,328	14,335
Other assets	24,019	24,166
	$173,156	$174,190
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	$ 7,083	$ 7,428
Accounts payable	13,173	11,571
Accrued liabilities	22,353	21,909
Total current liabilities	42,609	40,908
Long-term debt	31,254	31,254
Accrued retirement benefits	22,308	23,795
	96,171	95,957
Shareholders' Equity:		
Common stock	11,653	11,653
Retained earnings	83,642	83,228
Accumulated other comprehensive loss	(829)	799
	94,466	95,680
Less treasury stock, at cost	17,481	17,447
Total shareholders' equity	76,985	78,233
	$173,156	$174,190

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 2000	1999
Net sales	$41,349	$35,277
Cost of goods sold	31,605	28,421
	9,744	6,856
Marketing, engineering and administrative expenses	7,529	7,745
Interest expense	758	656
Other income, net	(177)	(101)
	8,110	8,300
Earnings (loss) before income taxes	1,634	(1,444)
Income taxes	728	(547)
Net earnings (loss)	$ 906	($ 897)
Dividends per share	$ 0.175	$ 0.175
Earnings per share data:		
Basic earnings (loss) per share	$ 0.32	($ 0.32)
Diluted earnings (loss)per share	$ 0.32	($ 0.32)
Shares outstanding data:		
Average shares outstanding	2,810	2,835
Dilutive stock options	-	2
Diluted shares outstanding	2,810	2,837
Comprehensive income:		
Net earnings (loss)	$ 906	($ 897)
Other comprehensive income:		
Foreign currency translation adjustment	(1,628)	(12)
Comprehensive loss	($ 722)	($ 909)

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

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 2000	1999
Cash flows from operating activities:		
Net earnings (loss)	$ 906	($ 897)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	1,583	1,729
Equity in earnings of affiliates	(145)	(143)
Dividends received from affiliate	100	125
Net change in working capital, excluding cash and debt, and other	(2,421)	(2,313)
	23	(1,499)
Cash flows from investing activities:		
Acquisitions of fixed assets	(341)	(427)
	(341)	(427)
Cash flows from financing activities:		
Increase in notes payable, net	-	3,933
Treasury stock activity	(34)	2
Dividends paid	(492)	(497)
	(526)	3,438
Effect of exchange rate changes on cash	(187)	6
Net change in cash and cash equivalents	(1,031)	1,518
Cash and cash equivalents:		
Beginning of period	5,651	4,136
End of period	$4,620	$5,654

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

NOTES TO CONDENSED 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 2000	June 30 2000
Inventories:		
Finished parts	$42,991	$40,313
Work in process	6,120	5,880
Raw materials	4,474	3,997
	$53,585	$50,190

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 in the normal course of business.

At September 30,2000 the Company has accrued approximately $1,050,000, 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.

D. BUSINESS SEGMENTS

Information about the Company's segments is summarized as follows (in thousands):

	September 30, 2000	September 30, 1999
Manufacturing segment sales	$ 38,638	$ 31,219
Distribution segment sales	11,328	10,539
Inter/Intra segment sales	(8,617)	(6,481)
Net sales	$ 41,349	$ 35,277
Manufacturing segment earnings (loss)	$ 1,207	$ (1,788)

Distribution segment earnings (loss)	947	546
Inter/Intra segment earnings (loss)	(520)	(202)
Pretax earnings (loss)	$ 1,634	$ (1,444)

Assets	September 30, 2000	June 30, 2000
Manufacturing segment assets	$151,963	$154,971
Distribution segment assets	23,992	24,518
Corporate assets and elimination of inter-company assets	(2,799)	(5,299)
	$173,156	$174,190

MANAGEMENT DISCUSSION AND ANALYSIS

Sales continued to register year-over-year improvement during the first fiscal quarter. Revenues for the first three months were 17 percent higher than a year ago with operations throughout the company contributing to the improvement. Net earnings also compared very favorably to the loss reported in last year's first quarter. As expected, both sales and earnings were lower than the fiscal 2000 final quarter as a result of normal seasonal factors.

The increase from year-ago shipping levels was broad based, with the most significant amounts registered at our manufacturing operations. While demand was up sharply from a year ago, it continued at a rate very similar to that of the preceding two quarters. Domestically, the increase over last year's shipments was in the larger horsepower commercial marine transmissions, power shift transmissions for AARF vehicles, and Arneson surface drives. In addition, aftermarket parts sales were well above year-ago levels. The demand for pleasure craft marine transmissions from our Belgian subsidiary continued to be strong, in part due to attractive pricing related to weakness of the Euro. Also, renewal parts shipments from that facility recovered from last year's first-quarter shortfall, which was caused by the implementation of a new enterprise-wide business system. All distribution subsidiaries had higher shipments, but the improvement as reported from overseas subsidiaries was mitigated by the strong dollar.

Profitability also improved, with the consolidated gross margin four percentage points ahead of last year's first fiscal quarter. Much of the increase was volume related as the greater production activity enabled more efficient use of our facilities. Also contributing to the better margins was improved domestic productivity and the continuing favorable impact of the strong dollar in Europe.

Marketing, engineering, and administrative (ME&A) expenses were reported below year-ago levels, and that accurately reflects our attention to these costs. However, after adjusting for the one-time expenses associated with the systems implementation in Europe last year, there was a slight rise in ME&A spending, well below the sales increase. The increase in interest expense was due solely to higher rates as the balance of borrowings declined by $6 million during the past 12 months. While individual country tax rates were unchanged, the effective consolidated rate is relatively high due to the mix of domestic losses incurred and overseas earnings, which are taxed at a higher rate.

Working capital, at $48 million, was down $1 million from the previous quarter due to a slight increase in liabilities. The seasonal changes in receivables and inventory offset each other. Receivables declined with the lower sales level and inventory increased in preparation for the higher second fiscal quarter demand. Net cash flow from operating activities was slightly positive, but there was some reduction in cash after meeting the modest needs for investing and financing. The Company's balance sheet remains strong with anticipated operating cash flows and existing financing arrangements sufficient to provide liquidity for near-term needs.

OTHER INFORMATION

Item 1. Legal Proceedings.

There were no reports on Form 8-K during the three months ended September 30, 2000.

Item 2. Changes in Securities and Use of Proceeds.

There were no securities of the Company sold by the Company during the three months ended September 30, 2000 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.

Item 5. Other Information.

The discussions in this report on Form 10-Q and in the documents incorporated herein by reference, and oral presentations made by or on behalf of the Company contain or may contain various forward-looking statements (particularly those referring to the expectations as to possible strategic alternatives, future business and/or operations, in the future tense, or using terms such as "believe", "anticipate", "expect" or "intend") that involve risks and uncertainties. The Company's actual future results could differ materially from those discussed, due to the factors which are noted in connection with the statements and other factors. The factors that could cause or contribute to such differences include, but are not limited to, those further described in the "Management's Discussion and Analysis".

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)

November 10, 2000	/S/ FRED H. TIMM
(Date)	Fred H. Timm Corporate Controller and Secretary

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED
FROM THE TWIN
DISC, INCORPORATED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SET FORTH IN
THE FIRST QUARTER REPORT TO SHAREHOLDERS FOR THE THREE MONTHS
ENDED SEPTEMBER
30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL
STATEMENTS.

1,000

3-MOS
JUN-30-2000
SEP-30-2000
4,620
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27,616
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90,395
115,173
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173,156
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