

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported) October 21, 2006

Twin Disc, Incorporated

(exact name of registrant as specified in its charter)

WISCONSIN	001-7635	39-0667110
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(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1328 Racine Street Racine, Wisconsin 53403

(Address of principal executive offices)

Registrant's telephone number, including area code: (262)638-4000

Item 2.02 Results of Operations and Financial Condition

The Company has reported its 1st quarter 2007 financial results. The Company's press release dated October 20, 2006 announcing the results is attached hereto as Exhibit 99.1 and is incorporated herein in its entirety by reference.

The information set forth in this Item 2.02 of Form 8-K, including Exhibit 99.1, is furnished pursuant to Item 2.02 and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers

Effective October 20, 2006, George E. Wardeberg retired from the Board of Directors of the Company.

Item 7.01

Regulation FD Disclosure

The information set forth under Item 2.02 of this report is incorporated herein by reference solely for the purposes of this Item 7.01.

The information set forth in this Item 7.01 of Form 8-K is furnished pursuant to Item 7.01 and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

FORWARD LOOKING STATEMENTS

The disclosures in this report on Form 8-K and in the documents incorporated herein by reference contain or may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believes," "expects," "intends," "plans," "anticipates," "hopes," "likely," "will," and similar expressions identify such forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company (or entities in which the Company has interests), or industry results, to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements. Certain factors that could cause the Company's actual future results to differ materially from those discussed are noted in connection with such statements, but other unanticipated factors could arise. Readers are cautioned not to place undue reliance on these forward-looking statements which reflect management's view only as of the date of this Form 8-K. The Company undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, conditions or circumstances.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits.

EXHIBIT NUMBER DESCRIPTION

99.1 Press Release announcing 1st quarter 2007 financial results.

SIGNATURE

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.

Date: October 23, 2006

Twin Disc, Inc.

/s/ Christopher J. Eperjesy
Vice President-Finance, Chief Financial Officer and Secretary

Christopher J. Eperjesy

Contact:

638-4343

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TWIN DISC, INC., ANNOUNCES RECORD FISCAL 2007 FIRST-QUARTER FINANCIAL RESULTS**First-Quarter Net Earnings up 47.7% to \$3,672,000****First-Quarter Sales up 32.7% to \$65,774,000****Recent Acquisition Adds \$6,558,000 to Net Sales****Management Optimistic about the Fiscal 2007 Outlook**

RACINE, WISCONSIN—October 20, 2006—**Twin Disc, Inc. (NASDAQ: TWIN)**, today reported record financial results for the fiscal 2007 first quarter ended September 30, 2006. Sales, net earnings and diluted earnings per share for the first three months of fiscal 2007 represented the best first quarter in the Company's history.

Sales for the quarter ended September 30, 2006 improved 32.7 percent to \$65,774,000 from \$49,577,000 in the same period a year ago. The recent BCS Group acquisition contributed \$6,558,000 to net sales in the fiscal 2007 first quarter. The results for the current fiscal quarter were favorably impacted by continued strong demand across all the markets the Company serves, especially from its oil and military customers.

Gross margin, as a percentage of sales, increased 1.8 percentage points to 30.9 percent from 29.1 percent in last year's comparable period. Profitability continued to improve from the implementation of cost reduction programs, a better product mix and selective price increases. Net earnings for the first quarter increased 47.7 percent, or \$1,186,000 to \$3,672,000, or \$0.62 per diluted share, compared with \$2,486,000, or \$0.42 per diluted share, for the fiscal 2006 first quarter.

For the quarter, the recently acquired BCS Group companies added \$0.01 to diluted earnings per share. This includes the impact of an unfavorable purchase accounting adjustment to inventory in the amount of \$734,000 (with an additional and final adjustment of \$489,000 anticipated in the second quarter).

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Commenting on the results, Michael E. Batten, Chairman, President and Chief Executive Officer, said, "Our momentum continues to be strong entering fiscal 2007, as we continue to execute our business strategy. We are very pleased with the sales and earnings contribution of the recent acquisition of the BCS Group. The acquisition was accretive to earnings in the first quarter and we are optimistic that BCS will add to our bottom-line performance as the year progresses. Sales from our existing operations, after backing out the recent acquisition, increased 19.4 percent."

Christopher J. Eperjesy, Vice President - Finance, Chief Financial Officer and Secretary, stated, "The Company's balance sheet remains strong, although our total debt outstanding at September 30, 2006 increased by \$11,630,000 versus June 30, 2006. In light of the recently enacted Pension Protection Act of 2006, the Company elected to make contributions of \$7,720,000 to its domestic defined benefit pension plans in the first fiscal quarter. This allowed the plans to be at the Full Funding Limit for 2005, and as a result, the plans will be exempt from paying PBGC variable rate premiums for 2006."

Mr. Batten concluded, "Going forward, we continue to see positive demand from the markets we serve. Our backlog of orders to be shipped over the next six months, excluding the backlog from the BCS Group, was a record \$100,184,000, an increase of 34.1 percent from \$74,700,000 in the same period a year ago and up 9.4 percent from \$91,598,000 at fiscal 2006 year end. Based on our continued strength in backlog, margins and industry dynamics, Twin Disc is well positioned to expand sales and earnings throughout the year."

Twin Disc, Inc. designs, manufactures and sells marine and heavy-duty off-highway power transmission equipment. Products offered include: marine transmissions, surface drivers, propellers and boat management systems, as well as power-shift transmissions, hydraulic torque converters, power take-offs, industrial clutches and control systems. The Company sells its products to customers primarily in the pleasure craft, commercial and military marine markets, as well as in the energy and natural resources, government and industrial markets. The Company's worldwide sales to both domestic and foreign customers are transacted through a direct sales force and a distributor network.

This press release may contain statements that are forward looking as defined by the Securities and Exchange Commission in its rules, regulations and releases. The Company intends that such forward-looking statements be subject to the safe harbors created thereby. All forward-looking statements are based on current expectations regarding important risk factors including those identified in the Company's most recent periodic report and other filings with the Securities and Exchange Commission. Accordingly, actual results may differ materially from those expressed in the forward-looking statements, and the making of such statements should not be regarded as a representation by the Company or any other person that the results expressed therein will be achieved.

--Financial Results Follow--

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(In thousands, except per-share data; unaudited)

	Three Months Ended September 30,	
	<u>2006</u>	<u>2005</u>
Net sales	\$65,774	\$49,577
Cost of goods sold	<u>45,461</u>	<u>35,173</u>
Gross profit	20,313	14,404
Marketing, engineering and administrative expenses	13,652	10,147
Interest expense	643	316
Other income, net	<u>(80)</u>	<u>(54)</u>
Earnings before income taxes and minority interest	6,098	3,995
Income taxes	2,377	1,466
Minority interest	<u>(49)</u>	<u>(43)</u>
Net earnings	<u>\$ 3,672</u>	<u>\$ 2,486</u>
Earnings per share:		
Basic	\$ 0.63	\$ 0.43
Diluted	\$ 0.62	\$ 0.42
Average shares outstanding:		
Basic	5,802	5,731
Diluted	5,905	5,840
Dividends per share	\$ 0.095	\$0.0875

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CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, unaudited)

	September 30, <u>2006</u>	June 30, <u>2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$15,914	\$16,427
Trade accounts receivable, net	49,655	55,963
Inventories, net	72,475	65,081
Deferred income taxes	5,740	5,780
Other	<u>8,118</u>	<u>7,880</u>
Total current assets	151,902	151,131
Property, plant and equipment, net	46,730	46,958
Goodwill	15,559	15,304
Deferred income taxes	4,351	4,152
Other assets	<u>18,431</u>	<u>18,627</u>
	<u>\$236,973</u>	<u>\$236,172</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank Overdraft	\$1,942	\$3,194
Notes payable	120	16
Current maturities on long-term debt	582	633
Accounts payable	25,308	27,866

Accrued liabilities	<u>44,380</u>	<u>47,912</u>
Total current liabilities	72,332	79,621
Long-term debt	49,946	38,369
Accrued retirement benefits	20,611	28,065
Other long-term liabilities	<u>533</u>	<u>312</u>
	143,442	146,367
Minority interest	594	572
Shareholders' equity:		
Common stock	12,103	11,777
Retained earnings	104,770	101,652
Accumulated other comprehensive loss	<u>(9,107)</u>	<u>(9,166)</u>
	107,766	104,263
Less treasury stock, at cost	<u>14,829</u>	<u>15,030</u>
Total shareholders' equity	<u>92,937</u>	<u>89,233</u>
	<u>\$236,973</u>	<u>\$236,172</u>

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