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, 1996   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, 1996, the registrant had 2,777,274 shares of its common stock outstanding.

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30 1996	June 30 1996
	(Thousands)	
Assets		
Cash and cash equivalents	$ 4,475	$ 2,043
Accounts and notes receivable	31,436	34,917
Inventories	51,735	51,083
Deferred income taxes	3,403	2,710
Other current assets	6,544	5,887
Total current assets	97,593	96,640
Property, plant and equipment	108,525	108,663
Accumulated Depreciation	73,440	72,948
Net property, plant and equipment	35,085	35,715
Deferred income taxes	3,746	3,758
Intangible pension asset	8,079	8,079
Other assets	17,923	18,507
	$162,426	$162,699
Liabilities		
Notes payable	$ 6,593	$ 7,360
Accounts payable	9,146	8,806
Accrued liabilities	17,210	17,836
Total current liabilities	32,949	34,002
Long-term debt	19,940	19,938
Accrued postretirement benefits	33,606	33,578
Total liabilities	86,495	87,518
Shareholders' Equity		
Common stock	11,653	11,653
Retained earnings	72,304	71,658
Translation component	9,810	9,706
	93,767	93,017
Treasury stock	17,836	17,836
	75,931	75,181
	$162,426	$162,699

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

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30 1996	Three Months Ended September 30 1995
Net sales	$40,941	$36,775
Cost of goods sold	32,254	29,682
	8,687	7,093
Marketing, engineering and administrative expenses	7,060	6,270
Interest expense	480	330
Other (income) and expense, net	(980)	65
	6,560	6,665
Earnings before income tax	2,127	428
Income taxes	995	207
Net earnings	$ 1,132	$ 221
Earnings per share data:		
Earnings per share	$ .41	$ .08
Dividends per share	$ 0.175	$ 0.175
Average shares outstanding (thousands)	2,777	2,776
Translation component of equity		
Balance - beginning of the period	$ 9,706	$13,797
Translation adjustment	104	(989)
Balance - end of the period	$9,810	$12,808

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)

	Three Months Ended September 30 1996	Three Months Ended September 30 1995
	(Thousands)	
Cash flows from operating activities:		
Net earnings	$1,132	$ 221
Non-cash adjustments to net earnings:		
Depreciation	1,263	1,122
Other	125	(17)
Net change in working capital, excluding cash and debt	1,396	(2,759)
	3,916	(1,433)
Cash flows from investing activities:		
Acquisitions of fixed assets	(746)	(1,074)
Proceeds from sale of fixed assets	431	6
Dividends received	100	253
	(215)	(815)
Cash flows from financing activities:		
Increase (Decrease) in notes payable, net	(773)	2,822
Proceeds from long-term debt	-	8
Treasury stock	-	30
Dividend payments	(486)	(486)
	(1,259)	2,374
Effect of exchange rate changes on cash	(10)	(108)
Net change in cash and cash equivalents	2,432	18
Cash and cash equivalents:		
Beginning of period	2,043	3,741
End of period	$4,475	$3,759

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):

	September 30 1996	June 30 1996
Inventories		
Finished part	$41,693	$41,535
Work in process	5,582	5,429
Raw materials	4,460	4,119
	$51,735	$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 September 30, 1996 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

Net sales were 11 percent higher than the first quarter a year ago continuing the favorable year-to-year quarterly comparisons of the past three years. The largest sales increase was at our domestic manufacturing operation, and that volume combined with greater productivity at both domestic and European manufacturing operations provided for improved earnings as well.

The increase in domestic shipments reflected continuing strong demand for marine transmissions used in commercial applications and improved demand for power-shift transmissions used in off-highway vehicles.

Sales from our Belgian operation were comparable with last year as demand for pleasure craft marine transmissions and mobile torque converters remained at about the level of a year ago. Sales from marketing subsidiaries increased overall, but results varied by location. Improvement was noted in the Pacific Basin where better supply of product for the commercial marine market provided for higher shipments. The earnings of these subsidiaries improved in line with the sales changes.

The consolidated gross margin increased by two percentage points and reflected similar improvements realized at both domestic and overseas manufacturing operations. Better productivity, higher production volume and cost control contributed to the improved margin. There were unusual charges in both years that adversely impacted margins. The cost associated with a voluntary separation program was charged to operations a year ago, and a lesser amount covering the disposal of discontinued product inventory was charged against the recently completed quarter.

Marketing, engineering, and administrative expenses for the current period were about 12 percent higher than a year ago due to higher sales volume and to increases in domestic engineering and marketing spending. Interest expense increased due to the higher level of domestic debt but also reflected a slight decline in average borrowing costs. The principal component of net other income was interest income related to a favorable tax settlement which was partially offset by year-to-date losses incurred by our Japanese affiliate.

Working capital increased by $2 million during the quarter with the cash balance rising by a similar amount. The increase in cash also caused the current ratio to increase slightly during the period. There was the normal seasonal decline in accounts receivable during the quarter, but inventory was up slightly from the prior year-end. However, with level inventory and higher sales compared to a year ago, inventory turnover has increased; and our efforts are directed toward continuing that improvement. Net cash flow from operations, including the favorable impact of working capital changes, covered investing and financing activities and provided for an increase in cash. 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, 1996. 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, 1996, 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)

/s/

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(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, 1996, and the related condensed consolidated statements of operations and cash flows for the three-month periods ended September 30, 1996 and 1995. 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 28, 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 L.L.P.

Milwaukee, Wisconsin
October 11, 1996

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 11, 1996 on our review of interim financial information of Twin Disc, Incorporated for the three-month periods ended September 30, 1996 and 1995 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 29, 1996

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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 THREE
MONTHS
ENDED SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE
TO
SUCH FINANCIAL STATEMENTS.

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JUN-30-1996
SEP-30-1996
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31,630
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51,735
97,593
108,525
73,440
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