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, 1995 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, 1995, the registrant had 2,777,024 shares of its common stock outstanding.

TWIN DISC, INCORPORATED

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CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30 1995	June 30 1995
	(Thousands)	
Assets		
Cash and cash equivalents	$ 3,759	$ 3,741
Accounts and notes receivable	27,233	29,247
Inventories	51,919	47,157
Deferred income taxes	3,865	3,865
Other current assets	4,518	6,480
Total current assets	91,294	90,490
Property, plant and equipment	108,998	109,448
Accumulated Depreciation	72,102	72,100
Net property, plant and equipment	36,896	37,348
Deferme taxes	4,697	4,119
Intangible pension asset	8,293	8,293
Other assets	18,023	8,051
	$159,203	$158,301
Liabilities		
Notes payable	$ 5,241	$ 2,415
Accounts payable	12,509	12,395
Accrued liabilities	21,258	22,042
Total current liabilities	39,008	36,852
Long-term debt	14,028	14,000
Accrued postretirement benefits	32,769	32,827
Total liabilities	85,805	83,679
Shareholders' Equity		
Common stock	11,653	11,653
Retained earnings	66,778	67,054
Translation component	12,808	13,797
	91,239	92,504
Treasury stock	17,841	17,882
	73,398	74,622

	$159,203	$158,301

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

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30 1995	Three Months Ended September 30 1994
Net sales	$36,775	$31,600
Cost of goods sold	29,682	25,156
	7,093	6,444
Marketing, engineering and administrative expenses	6,270	5,851
Interest expense	330	260
Other expense, net	65	8
	6,665	6,119
Earnings before income tax	428	325
Income taxes	207	142
Net earnings	$ 221	$ 183
Earnings per share data:		
Earnings per share	$ .08	$ .07
Dividends per share	$ 0.175	$ 0.175
Average shares outstanding (thousands)	2,776	2,799
Translation component of equity		
Balance - beginning of the period	$13,797	$ 7,778
Translation adjustment	(989)	825
Balance - end of the period	$12,808	$ 8,603

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

	Three Months Ended September 30 1995 (Thousands)	Three Months Ended September 30 1994 (Thousands)
Cash flows from operating activities:		
Net earnings	$ 221	$ 183
Non-cash adjustments to net earnings:		
Depreciation	1,122	1,228
Loss (gain) on sale of fixed assets	(17)	29
Net change in working capital, excluding cash and debt	(2,759)	(2,502)
	(1,433)	(1,062)

Cash flows from investing activities:		
Acquisitions of fixed assets	(1,074)	(867)
Proceeds from sale of fixed assets	6	-
Dividends received	253	-
Investment in affiliates	-	(3,000)
	(815)	(3,867)
Cash flows from financing activities:		
Increase (Decrease) in notes payable, net	2,822	269
Proceeds from long-term debt	8	1,250
Treasury stock	30	-
Dividend payments	(486)	(490)
	2,374	1,029
Effect of exchange rate changes on cash	(108)	982
Net change in cash and cash equivalents	18	(2,918)
Cash and cash equivalents:		
Beginning of period	3,741	4,166
End of period	$3,759	$1,248

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 1995	June 30 1995
Inventories		
Finished part	$40,876	$32,887
Work in process	7,131	11,036
Raw materials	3,912	3,234
	$51,919	$47,157

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, 1995, 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 up compared with the first quarter a year ago as the benefits of the economic recovery continued at about the same pace as recent quarters. All operations reported increased sales, but the principal strength was at our domestic manufacturing subsidiary. That operation also was responsible for the flat earnings on higher sales as a one-time charge was made for the cost of a voluntary separation program for salaried employees.

Domestic manufacturing shipments were up 26 percent with the year-to-year improvement continuing to be centered around the pleasure craft and commercial marine markets and the off-highway vehicle markets. Sales from our Belgian operation also increased, but some of the change was due to translation at weaker dollar exchange rates. Since sales from that operation were up sharply in last year's first quarter, the current volume represents a continuation of demand for pleasure craft marine transmissions and mobile torque converters. Overseas marketing subsidiaries reported higher sales with the most significant improvement in Australia where demand is strong for higher horsepower marine transmissions and power take-offs for irrigation. Our domestic distribution operations also showed sales improvements compared to last year with consistent increases in earnings.

The ratio of cost of goods sold to net sales continued to decline at our overseas manufacturing operation as productivity improvements continue. Domestic margins showed a volume related improvement before the voluntary separation program charge. That program was related to the restructuring of our domestic manufacturing organization. Most of the costs of the program are expected to be recovered as savings during the year.

Marketing, engineering, and administrative expenses for the current period were about 7 percent higher than a year ago due to the higher sales volume and the translation of foreign subsidiary expenses at the weaker dollar exchange rates. The increase in interest expense is due primarily to higher outstanding domestic debt but also reflects a slight increase in bank lending rates.

Working capital decreased by $1.4 million during the quarter and the current ratio also declined to 2.3 from the 2.5 at the beginning of the fiscal year. Accounts receivable were reduced during the quarter with the seasonal decline in sales from the previous fiscal quarter, but inventory rose substantially over a year ago and was 10 percent above year-end. Most of the increase was at our domestic operation and was caused by a past due order situation aggravated by procurement problems. Those problems have been addressed and should be alleviated during the next quarter. With the working capital changes, primarily an increase in inventory, net cash flow from operations was not sufficient to cover investing activities. An increase of $2.8 million

in debt provided the funds needed to purchase capital equipment and finance the inventory build-up. Despite the increase in borrowings during the period, 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, 1995. 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, 1995, 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)

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

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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, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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