AMENDMENT NO. 1

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, 2003 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 2003, the registrant had 2,836,332 shares of its common stock outstanding.

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

TWIN DISC, INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30 2003	June 30 2003
Assets		
Current assets:		
Cash and cash equivalents	$ 8,524	$ 5,908
Trade accounts receivable, net	25,945	35,367
Inventories, net	49,291	47,247
Deferred income taxes	4,469	4,469
Other	4,240	4,104
Total current assets	92,469	97,095
Property, plant and equipment, net	29,311	30,210
Investment in affiliates	2,627	2,550
Goodwill	12,690	12,876
Deferred income taxes	20,215	20,164
Intangible pension asset	24	24
Other assets	7,835	7,439
	$165,171	$170,358
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	$ 1,057	$ 2,429
Current maturities on long-term debt	2,857	2,857
Accounts payable	14,273	16,115
Accrued liabilities	25,073	24,885
Total current liabilities	43,260	46,286
Long-term debt	15,340	16,584
Accrued retirement benefits	56,528	56,732
	115,128	119,602
Minority Interest	495	485
Shareholders' Equity:		
Common stock	11,653	11,653
Retained earnings	82,871	83,191
Unearned Compensation	(408)	-
Accumulated other comprehensive loss	(27,587)	(26,978)
	66,529	67,866
Less treasury stock, at cost	16,981	17,595
Total shareholders' equity	49,548	50,271
	$165,171	$170,358

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

TWIN DISC, INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30	
	2003	2002
Net sales	$37,966	$36,521
Cost of goods sold	29,070	30,591
	8,896	5 930
Marketing, engineering and administrative expenses	8,358	8 319
Interest expense	280	308
Other income, net	(205)	(41)
	8,433	8,586
Earnings (loss) before income taxes and minority interest	463	(2,656)
Income taxes	281	(895)
Earnings (loss) before minority interest	182	(1,761)
Minority Interest	(11)	30
Net earnings (loss)	$ 171	($ 1,731)
Dividends per share	$ 0.175	$ 0.175
Earnings per share data:		
Basic earnings (loss) per share	$ 0.06	($ 0.62)
Diluted earnings (loss) per share	$ 0.06	($ 0.62)
Shares outstanding data:		
Average shares outstanding	2,803	2,808
Dilutive stock options	36	-
Diluted shares outstanding	2,839	2,808
Comprehensive income (loss):		
Net earnings (loss)	$ 171	($ 1,731)
Other comprehensive loss:		
Foreign currency translation adjustment	(609)	(37)
Comprehensive loss:	($ 438)	($ 1,768)

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

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

TWIN DISC, INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended September 30	
	2003	2002
Cash flows from operating activities:		
Net earnings (loss)	$ 171	($ 1,731)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	1,356	1,354
Equity in earnings of affiliate	(122)	(147)
Dividends received from affiliate	45	95
Net change in working capital, excluding cash and debt, and other	4,555	2,571
	6,005	2 142
Cash flows from investing activities:		
Acquisitions of fixed assets	(550)	(703)
	(550)	(703)
Cash flows from financing activities:		
Decrease in notes payable, net	(1,213)	(139)
Proceeds (payments) of long-term debt	(1,270)	350
Proceeds from exercise of stock options	193	-
Dividends paid	(491)	(491)
	(2,781)	(280)
Effect of exchange rate changes on cash	(58)	211
Net change in cash and cash equivalents	2,615	1,370
Cash and cash equivalents:		
Beginning of period	5,908	7,313
End of period	$ 8,524	$ 8,683

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 consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles. In fiscal 2004, the joint venture agreement governing Twin Disc Nico Co., LTD (TDN) was amended. Under the new agreement, sales into certain territories have been transferred to the joint venture partner in exchange for which TDN receives a product development fee equal to the gross margin formerly earned on such sales. The effect of this change was to reduce sales by 3,100,000 for the quarter ended September 30, 2003, with no effect on net earnings. Product development fees included in first quarter revenue approximated $155,000.

B. Inventory

The major classes of inventories were as follows (in thousands):

	September 30, 2003	June 30 2003
Inventories:		
Finished parts	$36,621	$36,175
Work in process	7,930	7,003
Raw materials	4,740	4,069
	$49,291	$47,247

C. WARRANTY

Twin Disc engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its suppliers. However, its warranty obligation is affected by product failure rates, the extent of the market affected by the failure and the expense involved in satisfactorily addressing the situation. The warranty reserve is established based on our best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. When evaluating the adequacy of the reserve for warranty costs, management takes into consideration the term of the warranty coverage, historical claim rates and costs of repair, knowledge of the type and volume of new products and economic trends. While we believe the warranty reserve is adequate and that the judgment applied is appropriate, such amounts estimated to be due and payable in the future could differ materially from what actually transpires.

The following is a listing of the activity in the warranty reserve during the period ended September 30, 2003.

	Three Months Ended September 30, 2003
Reserve balance, beginning of period	$6,070,000
Current period expense	884,000
Payments or credits to customers	(855,000)
Reserve balance, end of period	$6,099,000

D. Contingencies

The Company has made a $117,000 payment in trust in settlement of its exposure to a superfund site and anticipates that no further payments will be required. Additionally, the Company is subject to certain product liability matters in the normal course of business.

At September 30, 2003 the Company has accrued approximately $100,000, 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, 2003	September 30, 2002
Manufacturing segment sales	$ 33,147	$ 30,464
Distribution segment sales	12,961	13,849
Inter/Intra segment sales	(8,142)	(7,792)
Net sales	$ 37,966	$ 36,521
Manufacturing segment earnings	$ (33)	$ (2,477)
Distribution segment earnings	1,164	455
Inter/Intra segment loss	(668)	(634)
Earnings (loss) income taxes and minority interest	$ 463	$ (2,656)

Assets	September 30, 2003	June 30, 2003
Manufacturing segment assets	$ 148,619	$ 152,093
Distribution segment assets	29,312	32,761
Corporate assets and elimination of inter-company assets	(12,760)	(14,496)
	$ 165,171	$ 170,358

E. RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2003, the FASB issued SFAS No. 150. "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company does not expect the adoption of the provisions of this Statement to have a significant impact on its financial statements.

F. STOCK OPTION PLANS

The Company accounts for its stock option plans under the guidelines of Accounting Principles Board Opinion No. 25. Accordingly, no compensation cost has been recognized in the condensed consolidated statements of operations. During the third quarter of fiscal 2003, the Company adopted the disclosure provisions of SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." Had the Company recognized compensation expense determined based on the fair value at the grant date for awards under the plans, the net earnings and earnings per share would have been as follows (in thousands, except per share amounts):

	Three Months Ended September 30,	
	2003	2002
Net earnings (loss)		
As reported	$ 171	($ 1,731)
Pro forma	171	(1,805)
Basic earnings (loss) per share		
As reported	$ 0.06	($ 0.62)
Pro forma	0.06	(0.64)
Diluted earnings (loss) per share		
As reported	$ 0.06	($ 0.62)
Pro forma	0.06	(0.64)

In fiscal 2004, The Company issued stock grants for 25,000 shares, 12,500 of these grants vest in 2 years from the date of grant and 12,500 vest in 4 years. The fair market value of the grants based on the market price at the date of grant was $421,000. The grants are recorded as Unearned Compensation and amortized over 2 and 4 year periods, amortization in the quarter ended September 30, 2003 approximated $13,000.

Item 2. MANAGEMENT DISCUSSION AND ANALYSIS

In the financial review that follows, we discuss our results of operations, financial condition and certain other information. This discussion should be read in conjunction with our consolidated financial statements and related notes.

Net sales for the first quarter were 4.0% above year-ago levels. In fiscal 2004, the Company's joint venture agreement governing Twin Disc Nico Co., LTD (TDN) was amended. Under the new agreement, sales into certain territories have been transferred to the joint venture partner in exchange for which TDN receives an engineering and product development fee equal to the gross margin formerly earned on such sales. The effect of this change was to reduce sales by $3.1 million for the quarter ended September 30, 2003, with no effect on net earnings. Product development fees included in first quarter revenue approximated $155,000. Adjusted for this change, sales would have been up 12.4% versus the comparable quarter in fiscal 2003. Compared to the first quarter of fiscal 2003, the Euro and Asian currencies strengthened against the US dollar. The impact of this strengthening on foreign operations was to increase revenues by approximately $1.6 million versus the prior year.

The increase in fiscal 2004's first quarter sales was driven by improved sales at our domestic operations as well as year-over-year growth at our foreign operations. All product markets posted gains versus the prior year, the largest increases coming in marine and propulsion products. In the first quarter of fiscal 2003, the Company experienced supplier quality problems at our domestic manufacturing operations that reduced production efficiency and delayed shipments, primarily of marine and powershift transmission products.

Our distribution subsidiaries posted double-digit growth in sales versus the prior year's first quarter, increasing by over $2 million. This growth was primarily driven by the year-over-year growth in our marine markets. As noted above, sales of our marine and propulsion products were particularly strong in comparison to the first fiscal quarter of last year. However, marine transmissions for the commercial boat market continue to remain weak. Domestically, continued softness in our industrial and non-marine products were offset by favorable year-over-year growth in our propulsion business, driven by sales of Arneson surface drives, and marine business. Despite the continued softness in the industrial and non-marine transmission markets, the Company was able to post modest year-over-year increases.

Gross margin as a percentage of sales improved significantly, increasing from 16.2% of sales in fiscal 2003's first quarter to 23.4% of sales in fiscal 2004. This increase was driven primarily by improved product mix, the impact of cost reduction efforts as well as the impact of the restructuring program undertaken in fiscal 2003's second quarter. Additionally, the supplier quality problems encountered in fiscal 2003's first quarter, mentioned above, caused last year's gross margin as a percentage of sales to be unusually low. The change in the TDN joint venture agreement accounted for approximately 140 basis points of the improvement, as those sales were at lower margin rates.

Marketing, engineering, and administrative (ME&A) expenses were relatively flat to last year's first fiscal quarter. Favorable improvements at our domestic operations, primarily as a result of recent cost reduction efforts, of over $0.4 million were offset by the unfavorable year-over-year exchange rate impact at our foreign operations of $0.3 million. Interest expense for the quarter was 9% below the same quarter last year due primarily to lower borrowings as well as a mix of borrowings at a lower weighted average interest rate. The effective income tax rate was higher than a year ago due to a greater proportion of overseas earnings, which are taxed at a higher rate.

Financial Condition, Liquidity and Capital Resources

As of September 30, 2003, the Company had net working capital of $49.2 million, which represents a slight decrease from a net working capital of $50.8 million as of June 30, 2003. For the three months ended September 30, 2003, net cash flows from operations were $6.0 million compared to $2.1 million for the first quarter of fiscal 2003. The first quarter of fiscal 2004 saw a significant reduction in accounts receivable balances versus June 30, 2003. The reduction of $9.4 million occurred as the Company realized collections from the strong sales months of May and June 2003. Our domestic manufacturing and Italian operations accounted for nearly $6 million of the accounts receivable reduction The change in the TDN joint venture agreement discussed above accounted for a further $2 million decrease in accounts receivable.

Net acquisitions of fixed assets for the quarter totaled $0.6 million. In fiscal 2003, we increased capital spending by $2.3 million compared to fiscal 2002 as the Company further developed its key manufacturing cells in both our domestic and European operations. We expect this trend to continue in fiscal 2004.

The Company used excess cash to continue to pay down the balance on its revolver, which had outstanding balances of $9.6 million and $10.9 million as of September 30, 2003 and June 30, 2003, respectively. The impact of the above cash flows was a net increase of $2.6 million in cash during the quarter. The Company's balance sheet remains very strong, there are no off-balance-sheet arrangements, and we continue to have sufficient liquidity for near-term needs.

The Company has obligations under non-cancelable operating lease contracts and a senior note agreement for certain future payments. A summary of those commitments follows (in thousands):

Contractual Obligations	Total	Less than 1 year	1-3 Years	4-5 Years	After 5 Years
Short-term debt	$ 1,057	$ 1,057			
Revolver borrowing	$ 9,600		$ 9,600		
Long-term debt	$ 8,597	$ 2,857	$ 5,740		
Operating leases	$11,061	$ 2,868	$ 3,762	$2,213	$2,218
Total obligations	$30,315	$ 6,782	$19,102	$2,213	$2,218

New Accounting Releases

In May 2003, the FASB issued SFAS No. 150. "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company does not expect the adoption of the provisions of this Statement to have a significant impact on its financial statements.

Critical Accounting Policies

The preparation of this Quarterly Report requires management's judgment to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting period. There can be no assurance that actual results will not differ from those estimates.

Twin Disc's significant accounting policies are described in Note A in the Notes to Consolidated Financial Statements in the Annual Report for June 30, 2003. There have been no significant changes to those accounting policies subsequent to June 30, 2003.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

The Company is exposed to market risks from changes in interest rates, commodities and foreign exchange. To reduce such risks, the Company selectively uses financial instruments and other pro-active management techniques. All hedging transactions are authorized and executed pursuant to clearly defined policies and procedures, which prohibit the use of financial instruments for trading or speculative purposes.

Interest rate risk - The Company's earnings exposure related to adverse movements of interest rates is primarily derived from outstanding floating rate debt instruments that are indexed to the prime and LIBOR interest rates. Those debt facilities bear interest predominantly at the prime interest rate minus .5% or LIBOR plus 2.75%. Due to the relative stability of interest rates, the Company did not utilize any financial instruments at September 30, 2003 to manage interest rate risk exposure. A 10 percent increase or decrease in the applicable interest rate would result in a change in pretax interest expense of approximately $10,000.

Commodity price risk - The Company is exposed to fluctuation in market prices for such commodities as steel and aluminum. Due to the relative stability of these commodities, the Company does not utilize commodity price hedges to manage commodity price risk exposure.

Currency risk - The Company has exposure to foreign currency exchange fluctuations. Approximately one-third of the Company's revenues in the three months ended September 30, 2003 and 2002 were denominated in currencies other than the U.S. dollar. Of that total, approximately two-thirds was denominated in euros with the balance composed of Japanese yen and the Australian and Singapore dollars. The Company does not hedge the translation exposure represented by the net assets of its foreign subsidiaries. Foreign currency translation adjustments are recorded as a component of shareholders' equity. Forward foreign exchange contracts are used to hedge the currency fluctuations on significant transactions denominated in foreign currencies.

Derivative Financial Instruments - The Company has written policies and procedures that place all financial instruments under the direction of the company corporate treasury and restrict derivative transactions to those intended for hedging purposes. The use of financial instruments for trading purposes is prohibited. The Company uses financial instruments to manage the market risk from changes in foreign exchange rates.

The Company primarily enters into forward exchange contracts to reduce the earnings and cash flow impact of non-functional currency denominated receivables and payables. These contracts are highly effective in hedging the cash flows attributable to changes in currency exchange rates. Gains and losses resulting from these contracts offset the foreign exchange gains or losses on the underlying assets and liabilities being hedged. The maturities of the forward exchange contracts generally coincide with the settlement dates of the related transactions. Gains and losses on these contracts are recorded in Other income (expense), net in the Consolidated Statement of Operations as the changes in the fair value of the contracts are recognized and generally offset the gains and losses on the hedged items in the same period. The primary currency to which the Company was exposed in 2003 and 2002 was the Euro. At September 30, 2003 the Company had net outstanding forward exchange contracts to purchase Euros in the value of $3,981,000 with a weighted average maturity of 41 days. The fair value of the Company's contracts was a loss of approximately $70,000 at September 30, 2003. At June 30, 2003 the Company had net outstanding forward exchange contracts to purchase Euros in the value of $2,701,000 with a weighted average maturity of 50 days. The fair value of the Company's contracts was approximately zero at June 30, 2003.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures.

As required by new Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, within the 90-day period prior to the filing of this report and under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that such disclosure controls and procedures are effective in ensuring that material information relating to the Company, including its consolidated subsidiaries, is made known to the certifying officers by others within the Company and its consolidated subsidiaries during the period covered by this report.

(b) Changes in Internal Controls.

There were no significant changes in the Company's internal controls for financial reporting or in other factors that could significantly affect such internal controls subsequent to the date of such evaluation. However, in connection with the new rules, the Company has been engaged in the process of further reviewing and documenting its disclosure controls and procedures, including its internal accounting controls. The Company may from time to time make changes aimed at enhancing the effectiveness of its disclosure controls and procedures, including its internal controls, to ensure that the Company's systems evolve with its business.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings.

Twin Disc is a defendant in several product liability or related claims considered either adequately covered by appropriate liability insurance or involving amounts not deemed material to the business or financial condition of the Company.

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, 2003, 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.

During the period covered by this report, the Company offered participants in the Twin Disc, Incorporated B The Accelerator 401(k) Savings Plan (the "Plan") the option to invest their Plan accounts in a fund comprised of Company stock. Participation interests of Plan participants in the Plan, which may be considered securities, were not registered with the SEC. During the fiscal year ended June 30, 2003, 68 Plan participants allocated an aggregate of $81,000 toward this investment option. Participant accounts in the Plan consist of a combination of employee deferrals, Company matching contributions, nd, in some cases, additional Company profit-sharing contributions. No underwriters were involved in these transactions. On September 6, 2002, the Company filed a Form S-8 to register 100,000 shares of Company common stock offered through the Plan, as well as an indeterminate amount of Plan participation interests.

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".

Item 6. Exhibits and Reports on Form 8-K.

A Form 8-K was filed on July 28, 2003 for a press release announcing financial results for fiscal 2003 fourth quarter and full year.

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 14, 2003	/S/ FRED H. TIMM
(Date)	Fred H. Timm Vice President - Administration and Secretary