SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended June 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 Number)
1328 Racine Street, Racine, Wisconsin	53403
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, including area code: (414) 638-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered:
Common stock, no par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
Common stock, no par value
(Title of Class)

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 / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K /X/.

At September 1, 1995, the aggregate market value of the common stock held by non-affiliates of the registrant was $53,228,291. Determination of stock ownership by affiliates was made solely for the purpose of responding to this requirement and registrant is not bound by this determination for any other purpose.

At September 1, 1995, the registrant had 2,790,111 shares of its common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:
The incorporated portions of such documents being specifically identified in the applicable Items of this Report.

Portions of the Annual Report to Shareholders for the year ended June 30, 1995 are incorporated by reference into Parts I, II and IV.

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held October 20, 1995 are incorporated by reference into Parts I, III and IV.

Portions of the Company's Annual Report on Form 10-K for the year ended June 30, 1988, are incorporated by reference into Part II.

PART I

Item 1. Business

The Company is engaged in one line of business. Twin Disc designs, manufactures and sells heavy duty off-highway power transmission equipment. Products offered include: hydraulic torque converters; power-shift transmissions; marine transmissions and surface drives; universal joints; gas turbine starting drives; power take-offs and reduction gears; industrial clutches; fluid couplings and control systems. Principal markets are: construction equipment, industrial equipment, government, marine, energy and natural resources and agriculture. The Company's worldwide sales to both domestic and foreign customers are transacted through a direct sales force and a distributor network. There have been no significant changes in products or markets since the beginning of the fiscal year. The products described above have accounted for more than 90% of revenues in each of the last three fiscal years.

The Company acquired certain assets of Southern Diesel Engine Repair during fiscal year 1993. During 1995, the Company purchased the outstanding stock of Marine Diffusion, S.R.L. The acquisition did not require significant capital investment. A further description of these acquisitions appears in Note N to the consolidated financial statements on page 37 of the 1995 Annual Report which financial statements are incorporated by reference in this Form 10-K Annual Report in Part II.

In July 1994, the Company acquired a minority interest in Palmer Johnson Distributors, LLC, a major distributor of Twin Disc products. A further description of this transaction appears in Note E to the consolidated financial statements on page 29 of the 1995 Annual Report which financial statements are incorporated by reference in this Form 10-K Annual Report in Part II. The Company also began operations of a fully owned marketing subsidiary in Madrid, Spain in fiscal year 1994. The establishment of this subsidiary did not require significant capital investment.

The Company's products receive direct widespread competition, including from divisions of other larger independent manufacturers. The Company also competes for business with parts manufacturing divisions of some of its major customers. Ten customers accounted for approximately 44% of the Company's consolidated net sales during the year ended June 30, 1995. Caterpillar Inc. accounted for approximately 12% of consolidated net sales in 1995.

Unfilled open orders for the next six months of $72,183,000 at June 30, 1995 compares to $47,395,000 at June 30, 1994. Since orders are subject to cancellation and rescheduling by the customer, the six-month order backlog is considered more representative of operating conditions than total backlog. However, as procurement and manufacturing "lead times" change, the backlog will increase or decrease; and thus it does not necessarily provide a valid indicator of the shipping rate. Cancellations are generally the result of rescheduling activity and do not represent a material change in backlog.

Most of the Company's products are machined from cast iron, forgings, cast aluminum and bar steel which generally are available from multiple sources and which are believed to be in adequate supply.

The Company has pursued a policy of applying for patents in both the United States and certain foreign countries on inventions made in the course of its development work for which commercial applications are considered probable. The Company regards its patents collectively as important but does not consider its business dependent upon any one of such patents.

Engineering and development costs include research and development expenses for new product development and major improvements to existing products, and other charges for ongoing efforts to refine existing products. Research and development costs charged to operations totalled $2,718,000, $2,649,000 and $2,129,000 in 1995, 1994 and 1993, respectively. Total engineering and development costs were $7,411,000, $6,843,000 and $7,093,000 in 1995, 1994 and 1993, respectively.

Compliance with federal, state and local provisions regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, is not anticipated to have a material effect on capital expenditures, earnings or the competitive position of the Company.

The number of persons employed by the Company at June 30, 1995 was 1,097.

The business is not considered to be seasonal except to the extent that vacations are taken mainly in the months of July and August curtailing production during that period.

Management recognizes that there are attendant risks that foreign governments may place restrictions on dividend payments and other movements of money, but these risks are considered minimal due to the political relations the United States maintains with the countries in which the Company operates or the relatively low investment within individual countries.

A summary of financial data by geographic area for the years ended June 30, 1995, 1994 and 1993 appears in Note D to the consolidated financial statements on pages 27 through 29 of the 1995 Annual Report to Shareholders which financial statements are incorporated by reference in this Form 10-K Annual Report in Part II.

Item 2.   Properties

The Company owns three manufacturing, assembly and office facilities in Racine, Wisconsin, U.S.A. and one in Nivelles, Belgium. The aggregate floor space of these four plants approximates 750,000 square feet. The Racine facility includes office space which is the location of the Company's corporate headquarters.

The Company also has operations in the following locations all of which are used for sales offices, warehousing and light assembly or product service. The following properties are leased except for the Johannesburg, South Africa location, which is owned:

Jacksonville, Florida, U.S.A.	Brisbane, Queensland, Australia
Miami, Florida, U.S.A.	Perth, Western Australia, Australia
Loves Park, Illinois, U.S.A.	Viareggio, Italy
Coburg, Oregon, U.S.A.	Singapore
Seattle, Washington, U.S.A.	Johannesburg, South Africa
	Madrid, Spain

The properties are generally suitable for operations and are utilized in the manner for which they were designed. Manufacturing facilities are currently operating at less than 70% capacity and are adequate to meet foreseeable needs of the Company.

Item 3. 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.

The Company has joined with a group of potentially responsible parties in signing a consent decree with the Illinois Environmental Protection Agency to conduct a remedial investigation and feasibility study at the Interstate Pollution Control facility in Rockford, Illinois. The consent decree was signed on October 17, 1991, and filed with the federal court in the Northern District of Illinois. The Company's total potential liability on the site cannot be estimated with particularity until completion of the remedial investigation. Based upon current assumptions, however, the Company anticipates potential liability of $300,000 to $400,000.

The Company also is involved with other potentially responsible parties in various stages of investigation and remediation relating to other hazardous waste sites, some of which are on the United States EPA National Priorities List (Superfund sites). While it is impossible at this time to determine with certainty the ultimate outcome of such environmental matters, they are not expected to materially affect the Company's financial position.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Executive Officers of the Registrant

(Pursuant to General Instruction G(3) of Form 10-K, the following list is included as an unnumbered Item in Part I of this Report in lieu of being included in the Proxy Statement for the Annual Meeting of Shareholders to be held on October 20, 1995.)

Name	Principal Occupation Last Five Years	Age
Michael E. Batten	Chairman, Chief Executive Officer since October 1991;formerly Chairman, President, Chief Executive Officer	55
Michael H. Joyce	President-Chief Operating Officer since October 1991; formerly President-North American	

	Operations since January 1991; formerly President, Mobile Fluid Products Division, Dana Corporation	54
James O. Parrish	Vice President - Finance and Treasurer	55
Philippe O. Pecriaux	Vice President - Europe	57
Lance J. Melik	Vice President - Corporate Development since September 1995; formerly Vice President - Marketing	52

Michael J. Hablewitz	Vice President - Quality Assurance since February 1994; formerly Vice President - Manufacturing Services	49
James McIndoe	Vice President - International Marketing	56
John W. Spano	Vice President - Sales and Marketing since September 1995; formerly Director Mobile Market Group, Trinova Corporation since June 1993; formerly Director of Customer Service since October 1991; formerly Marine Market Sales Manager	51
Fred H. Timm	Corporate Controller and Secretary since August 1994; formerly Controller and Secretary	49

Officers are elected annually by the Board of Directors at the first meeting of the Board held after each Annual Meeting of the Shareholders. Each officer shall hold office until his successor has been duly elected, or until he shall resign or shall have been removed from office.

PART II

Item 5. Market for the Registrant's Common Stock and Related Shareholder Matters

The dividends per share and stock price range information set forth under the caption "Sales and Earnings by Quarter" on page 1 of the Annual Report for the year ended June 30, 1995 are incorporated into this report by reference.

As of June 30, 1995 there were 1,124 shareholder accounts. The Company's stock is traded on the New York Stock Exchange. The market price of the Company's common stock as of the close of business on September 1, 1995 was $24.75 per share.

Pursuant to a shareholder rights plan (the "Rights Plan"), on June 17, 1988, the Board of Directors declared a dividend distribution, payable to shareholders of record on July 1, 1988, of one Preferred Stock Purchase Right for each outstanding share of Common Stock. The Rights will expire 10 years after issuance, and will be exercisable only if a person or group becomes the beneficial owner of 20% or more (or 30% in the case of any person or group which currently owns 20% or more of the shares or who shall become the Beneficial Owner of 20% or more of the shares as a result of any transfer by reason of the death of or by gift from any other person who is an Affiliate or an Associate of such existing holder or by succeeding such a person as trustee of a trust existing on the Record Date) of the Common Stock (such person or group, an "Acquiring Person") or commences a tender or exchange offer which would result in the offeror beneficially owning 30% or more of the Common Stock. A person who is not an Acquiring Person will not be deemed to have become an Acquiring Person solely as a result of a reduction in the number of shares of Common Stock outstanding due to a repurchase of Common Stock by the Company until such person becomes beneficial owner of any additional shares of Common Stock. Each Right will entitle shareholders to buy one newly issued unit of one one-hundredth of a share of Series A Junior Preferred Stock at an exercise price of $80, subject to certain antidilution adjustments. The Company will generally be entitled to redeem the Rights at $.05 per Right at any time prior to 10 business days after a public announcement of the existence of an Acquiring Person.

If (i) a person or group accumulates more than 30% of the Common Stock (except pursuant to an offer for all outstanding shares of Common Stock which the independent directors determine to be fair to and otherwise in the best interests of the Company and its shareholders and except solely due to a reduction in the number of shares of Common Stock outstanding due to the repurchase of Common Stock by the Company), (ii) a merger takes place with an Acquiring Person where the Company is the surviving corporation and its Common Stock is not changed or exchanged, (iii) an Acquiring Person engages in certain self-dealing transactions, or (iv) during such time as there is an Acquiring Person, an event occurs which results in such Acquiring Person's ownership interest being increased by more than 1% (e.g., a reverse stock split), each Right (other than Rights held by such Acquiring Person and certain related parties which become void) will represent the right to purchase, at the exercise price, Common Stock (or in certain circumstances, a combination of securities and/or assets) having a value of twice the exercise price. In addition, if following the public announcement of the existence of an Acquiring Person the Company is acquired in a merger or other business combination transaction, except a merger or other business combination transaction that takes place after the consummation of an offer for all outstanding shares of Common Stock that the independent directors have determined to be fair, or a sale or transfer of 50% or more of the Company's assets or earning power is made, each Right (unless previously voided) will represent the right to purchase, at the exercise price, common stock of the acquiring entity having a value of twice the exercise price at the time.

The Rights have certain anti-takeover effects. The Rights will cause substantial dilution to a person or group that attempts to acquire the Company without conditioning the offer on a substantial number of Rights being acquired. However, the Rights are not intended to prevent a take-over, but rather are designed to enhance the ability of the Board of Directors to negotiate with an acquiror on behalf of all of the shareholders. In addition, the Rights should not interfere with a proxy contest.

The Rights should not interfere with any merger or other business combination approved by the Board of Directors since the Rights may be redeemed by the Company at $.05 per Right prior to 10 business days (as such period may be extended) after the public announcement of the existence of an Acquiring Person.

The press release announcing the declaration of the Rights dividend, dated June 20, 1988, and a letter to the Company's shareholders, dated June 22, 1988, explaining the Rights, filed as Item 14(a)(3), Exhibits 4(a) and (b) of Part IV of the Annual Report on Form 10-K for the year ended June 30, 1988 are hereby incorporated by reference.

Item 6. Selected Financial Data

The information set forth under the caption "Ten-Year Financial Summary" on pages 40 and 41 of the Annual Report to Shareholders for the year ended June 30, 1995 is incorporated into this report by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information set forth under the caption "Management's Discussion and Analysis" on pages 19 through 21 of the Annual Report to Shareholders for the year ended June 30, 1995 is incorporated into this report by reference.

Item 8. Financial Statements and Supplementary Data

The following Consolidated Financial Statements of Twin Disc, Incorporated and Subsidiaries set forth on pages 22 through 39 of the Annual Report to Shareholders for the year ended June 30, 1995 are incorporated into this report by reference:

Consolidated Balance Sheets, June 30, 1995 and 1994

Consolidated Statements of Operations for the years ended June 30, 1995, 1994 and 1993

Consolidated Statements of Cash Flows for the years ended June 30, 1995, 1994 and 1993

Consolidated Statements of Changes in Shareholders' Equity for the years ended June 30, 1995, 1994 and 1993

Notes to Consolidated Financial Statements

Report of Independent Accountants

The supplementary data regarding quarterly results of operations set forth under the caption "Sales and Earnings by Quarter" on page 1 of the Annual Report to Shareholders for the year ended June 30, 1995 is incorporated into this report by reference.

Item 9. Change in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

For information with respect to the executive officers of the Registrant, see "Executive Officers of the Registrant" at the end of Part I of this report. For information with respect to the Directors of the Registrant, see "Election of Directors" on pages 5 through 7 of the Proxy Statement for the Annual Meeting of Shareholders to be held October 20, 1995, which is incorporated into this report by reference.

Item 11. Executive Compensation

The information set forth under the captions "Compensation of Executive Officers", "Stock Options" and "Compensation Pursuant to Plans" on pages 8 through 10 of the Proxy Statement for the Annual Meeting of Shareholders to be held on October 20, 1995 is incorporated into this report by reference. Discussion in the Proxy Statement under the captions "Board Executive Selection and Salary Committee Report on Executive Compensation" and "Corporate Performance Graph" is not incorporated by reference and shall not be deemed "filed" as part of this report.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Security ownership of certain beneficial owners and management is set forth on pages 3 and 4 of the Proxy Statement for the Annual Meeting of Shareholders to be held on October 20, 1995 under the caption "Principal Shareholders and Share Ownership of Directors and Executive Officers" and incorporated into this report by reference.

There are no arrangements known to the Registrant, the operation of which may at a subsequent date result in a change in control of the Registrant.

Item 13. Certain Relationships and Related Transactions

None.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a)(1) The following Consolidated Financial Statements of Twin Disc, Incorporated and Subsidiaries set forth on pages 22 through 39 of the Annual Report to Shareholders for the year ended June 30, 1995 are incorporated by reference into this report in Part II:

Consolidated Balance Sheets, June 30, 1995 and 1994

Consolidated Statements of Operations for the years ended June 30, 1995, 1994 and 1993

Consolidated Statements of Cash Flows for the years ended June 30, 1995, 1994 and 1993

Consolidated Statements of Changes in Shareholders' Equity for the years ended June 30, 1995, 1994 and 1993

Notes to Consolidated Financial Statements

Report of Independent Accountants

The supplementary data regarding quarterly results of operations under the caption "Sales and Earnings by Quarter" on page 1 of the Annual Report to Shareholders for the year ended June 30, 1995 is incorporated by reference into this report in Part II hereof.

Individual financial statements of the 50% or less owned entities accounted for by the equity method are not required because such 50% or less owned entities do not constitute significant subsidiaries.

(a)(2) Consolidated Financial Statement Schedule (numbered in accordance with Regulation S-X) for the three years ended June 30, 1995:

Schedules, other than those listed, are omitted for the reason that they are inapplicable, are not required, or the information required is shown in the financial statements or the related notes thereto.

The Report of the Independent Accountants of the Registrant with respect to the above-listed consolidated financial statement schedule appears on page 13 of this report.

(a)(3) List of Exhibits: (numbered in accordance with Item 601 of Regulation S-K)

2 Not applicable

3 a) Articles of Incorporation, as restated October 21, 1988 (Incorporated by reference to Exhibit 3(a) of the Company's Form 10-K for the year ended June 30, 1989).

b) Corporate Bylaws, amended through June 16, 1995.

4 Instruments defining the rights of security holders, including indentures

a) Form of Rights Agreement dated as of June 17, 1988 by and between the Company and the First Wisconsin Trust Company, as Rights Agent, with Form of Rights Certificate (Incorporated by reference to Exhibits 1 and 2 of the Company's Form 8-A dated June 27, 1988).

b) Announcement of Shareholder Rights Plan per press release dated June 20, 1988 and explanation of plan per letter to Company's shareholders dated June 20, 1988 (Incorporated by reference to Exhibit 4(a) and (b), respectively, of the Company's Form 10-K for the year ended June 30, 1988).

9 Not applicable

10 Material Contracts

a) * The 1988 Incentive Stock Option Plan (Incorporated by reference to Exhibit B of the Proxy Statement for the Annual Meeting of Shareholders held on October 21, 1988).

b) * The 1988 Non-Qualified Stock Option Plan for Officers, Key Employees and Directors (Incorporated by reference to Exhibit C of the Proxy Statement for the Annual Meeting of Shareholders held on October 21,1988).

c) * Amendment to 1988 Incentive Stock Option Plan of Twin Disc, Incorporated (Incorporated by reference to Exhibit A of the Proxy Statement for the Annual Meeting of Shareholders held on October 15, 1993).

d) * Amendment to 1988 Non-Qualified Incentive Stock Option Plan for Officers, Key Employees and Directors of Twin Disc, Incorporated (Incorporated by reference to Exhibit B of the Proxy Statement for the Annual Meeting of Shareholders held on October 15, 1993).

e) * Form of Severance Agreement for Senior Officers and form of Severance Agreement for Other Officers (Incorporated by reference to Exhibit 10(c) and (d), respectively, of the Company's Form 10-K for the year ended June 30, 1989).

f) * Supplemental Retirement Plan (Incorporated by reference to Exhibit 10(a) of the Company's Form 10-K for the year ended June 30, 1986).

g) * Director Tenure and Retirement Policy (Incorporated by reference to Exhibit 10(f) of the Company's Form 10-K for the year ended June 30, 1993).

h) * Form of Twin Disc, Incorporated Corporate Short Term Incentive Plan (Incorporated by reference to Exhibit 10(g) of the Company's Form 10-K for the year ended June 30, 1993).

* Denotes management contract or compensatory plan or arrangement.

11 Not applicable

12 Not applicable

13 Annual Report of the Registrant for the year ended June 30, 1995 is separately filed as Exhibit (13) to this Report (except for those portions of such Annual Report separately incorporated by reference into this Report, such Annual Report is furnished for the information of the Securities and Exchange Commission and shall not be deemed "filed" as part of this report).

18 Not applicable

21 Subsidiaries of the registrant

22 Not applicable

23 Consent of Independent Accountants

24 Power of Attorney

27 Financial Data Schedule for the year ended June 30, 1995 is separately filed as Exhibit (27) to this report. (This schedule is furnished for the information of the Securities and Exchange Commission and shall not be deemed "filed" for purposes of Section 11 of the Securities Act or Section 18 of the Exchange Act.)

28 Not applicable

99 Foreign Affiliate Separate Financial Statements

a) Niigata Converter Co., Ltd. financial statements for the year ended March 31, 1995 prepared in accordance with Japanese Commercial Code are separately filed as Exhibit (99a) to this report. (This schedule is furnished for the information of the Securities and Exchange Commission.)

b) Niigata Converter Co., Ltd. financial statements for the year ended March 31, 1994 prepared in accordance with Japanese Commercial Code are separately filed as Exhibit (99b) to this report. (This schedule is furnished for the information of the Securities and Exchange Commission.)

c) Niigata Converter Co., Ltd. financial statements for the year ended March 31, 1993 prepared in accordance with Japanese Commercial Code are separately filed as Exhibit (99c) to this report. (This schedule is furnished for the information of the Securities and Exchange Commission.)

d) Niigata Converter Co., Ltd. financial statements for the year ended March 31, 1992 prepared in accordance with Japanese Commercial Code are separately filed as Exhibit (99d) to this report. (This schedule is furnished for the information of the Securities and Exchange Commission.)

Copies of exhibits filed as a part of this Annual Report on Form 10-K may be obtained by shareholders of record upon written request directed to the Secretary, Twin Disc, Incorporated, 1328 Racine Street, Racine, Wisconsin 53403.

SIGNATURES

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.

TWIN DISC, INCORPORATED

By FRED H. TIMM

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

September 15, 1995

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By MICHAEL E. BATTEN

Michael E. Batten, Chairman,
Chief Executive Officer and Director

September 15, 1995 By MICHAEL H. JOYCE

Michael H. Joyce, President,
Chief Operating Officer and Director

By JAMES O. PARRISH

James O. Parrish, Vice President-
Finance, Treasurer and Director
(Chief Financial Officer)

William W. Goessel, Director
Jerome K. Green, Director
John L. Murray, Director
Paul J. Powers, Director
September 15, 1995 Richard T. Savage, Director
David L. Swift, Director
Stuart W. Tisdale, Director
David R. Zimmer, Director

By JAMES O. PARRISH

James O. Parrish, Attorney in Fact

REPORT OF INDEPENDENT ACCOUNTANTS
(See Item 14)
Consolidated Financial Statement Schedule of
Twin Disc, Incorporated and Subsidiaries

To the Shareholders
Twin Disc, Incorporated
Racine, Wisconsin

Our report on the consolidated financial statements of Twin Disc, Incorporated and Subsidiaries has been incorporated by reference in this Form 10-K from page 39 of the 1995 annual report to shareholders of Twin Disc, Incorporated and Subsidiaries. In connection with our audits of such financial statements, we have also audited the related financial statement schedule listed in the index on page 9 of this Form 10-K.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L. L. P.

Milwaukee, Wisconsin
July 28, 1995

TWIN DISC, INCORPORATED AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
for the years ended June 30, 1995, 1994 and 1993
(In thousands)

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Balance at end of Period
1995:				
Allowance for losses on accounts receivable	$ 441	$ 54	$ 87	$ 408
Reserve for inventory obsolescence	1,586	886	891	1,581
1994:				
Allowance for losses on accounts receivable	$ 416	$ 264	$ 239	$ 441
Reserve for inventory obsolescence	-	2,094	508	1,586
1993:				
Allowance for losses on accounts receivable	$ 585	$ 20	$ 189	$ 416
Reserve for inventory obsolescence	286	622	908	-

Accounts receivable written-off and inventory disposed of during the year and other adjustments.

EXHIBIT INDEX

Exhibit	Description	Page
3a)	Articles of Incorporation, as restated October 21, 1988 (Incorporated by reference to Exhibit 3(a) of the Company's Form 10-K for the year ended June 30, 1989).	-
b)	Corporate Bylaws, amended through June 16, 1995.	17
4a)	Form of Rights Agreement dated as of June 17, 1988 by and between the Company and the First Wisconsin Trust Company, as Rights Agent, with Form of Rights Certificate (Incorporated by reference to Exhibits 1 and 2 of the Company's Form 8-A dated June 27, 1988).	-
b)	Announcement of Shareholder Rights Plan per press release dated June 20, 1988 and explanation of plan per letter to Company's shareholders dated June 20, 1988 (Incorporated by reference to Exhibit 4(a) and (b), respectively, of the Company's Form 10-K for the year ended June 30, 1988).	-
	Material Contracts	
10a)	* The 1988 Incentive Stock Option Plan (Incorporated by reference to Exhibit B of the Proxy Statement for the Annual Meeting of Shareholders held on October 21, 1988).	-
b)	* The 1988 Non-Qualified Stock Option Plan for Officers, Key Employees and Directors (Incorporated by reference to Exhibit C of the Proxy Statement for the Annual Meeting of Shareholders held on October 21,1988).	-
c)	* Amendment to 1988 Incentive Stock Option Plan of Twin Disc, Incorporated (Incorporated by reference to Exhibit A of the Proxy Statement for the Annual Meeting of Shareholders held on October 15, 1993).	-
d)	* Amendment to 1988 Non-Qualified Incentive Stock Option Plan for Officers, Key Employees and Directors of Twin Disc, Incorporated (Incorporated by reference to Exhibit B of the Proxy Statement for the Annual Meeting of Shareholders held on October 15, 1993).	-
e)	* Form of Severance Agreement for Senior Officers and form of Severance Agreement for Other Officers (Incorporated by reference to Exhibit 10(c) and (d), respectively, of the Company's Form 10-K for the year ended June 30, 1989).	-
f)	* Supplemental Retirement Plan (Incorporated by reference to Exhibit 10(a) of the Company's Form 10-K for the year ended June 30, 1986).	-
g)	* Director Tenure and Retirement Policy (Incorporated by reference to Exhibit 10(f) of the Company's Form 10-K for the year ended June 30, 1993).	-

h)	* Form of Twin Disc, Incorporated Corporate Short Term Incentive Plan (Incorporated by reference to Exhibit 10(g) of the Company's Form 10-K for the year ended June 30, 1993).	-

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EXHIBIT 3(b)

RESTATED BYLAWS

OF

TWIN DISC, INCORPORATED

ARTICLE I. OFFICE

The principal office of the Corporation in the State of Wisconsin shall be located in the City of Racine, Racine County. The Corporation may have such other offices, either within or without the State of Wisconsin, as the Board of Directors may designate or as the business of the Corporation may require.

The registered office of the Corporation required by the Wisconsin Business Corporation Law to be maintained in the State of Wisconsin may be, but need not be, identical with the principal office in the State of Wisconsin, and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE II. SHAREHOLDERS

(1) ANNUAL MEETING. The Annual Meeting of the Shareholders, for the purpose of electing directors and for the transaction of such other business as may come before the meeting, shall be held during the months of September or October in each year at such place, on such date and at such time as the Board of Directors may designate, written notice of the place, date and time of such meeting to be given each Shareholder not less than ten (10) days nor more than sixty (60) days prior to the date of the meeting. If the place, date and time of the Annual Shareholders Meeting for any year shall not have been designated by the Board of Directors at least thirty (30) days prior to the first day of September of such year, then the Annual Meeting of the Shareholders shall be held at the registered office of the Corporation on the third Friday of October in such year at 2 o'clock p.m., if not a legal holiday, but if a legal holiday, then on the next business day following.

(2) SPECIAL MEETINGS. Special Meetings of the Shareholders may be called by the Chairman and Chief Executive Officer, the President and Chief Operating Officer or the Secretary, and shall be called by the President and Chief Operating Officer or Secretary at the request in writing of a majority of the Board of Directors, or at the request of Shareholders owning not less than twenty-five percent (25%) of the outstanding shares of stock of the Corporation entitled to vote at the meeting. Any such request shall state the purpose, or purposes, of the proposed meeting. At any Special Meeting, the order of business thereat shall be determined by the Chairman and Chief Executive Officer, the President and Chief Operating Officer of the Company.

(3) PLACE OF MEETING. The Board of Directors may designate any place, either within or without the State of Wisconsin, as the place of meeting for any Annual Meeting, or for any Special Meeting called by the Board of Directors. If no designation is made, or if a Special Meeting be otherwise called, the place of the meeting shall be the registered office of the Corporation, but any meeting may be adjourned to reconvene at any place designated by a vote of a majority of the shares represented at such meeting.

(4) NOTICE OF MEETING. Written notice stating the place, date and time of the meeting, and in case of a Special Meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the Chairman and Chief Executive Officer, President and Chief Operating Officer, Secretary, the Board of Directors, or other person or persons calling the meeting, to each Shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed, to the Shareholder at his address as it appears on the stock record book or similar records of the Corporation, with postage thereon prepaid. Notice of any meeting of the Shareholders shall clearly state that proxy appointments will be ruled invalid unless received by the Secretary before the deadlines prescribed in these By-Laws.

(5) RECORD DATE. The Board of Directors may fix in advance a record date to determine the Shareholders entitled to notice of a Shareholders meeting, which record date shall be not more than seventy (70) nor less than five (5) days prior to the meeting or action requiring a determination of the Shareholders. A determination of the Shareholders entitled to notice of or to

vote at a Shareholders' meeting is effective for any adjournment of the meeting unless the Board of Directors fixes a new date, which it shall be required to do only if the meeting is adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.

(6) SHAREHOLDERS LIST. After fixing a record date for a Shareholders meeting, the Secretary shall prepare a list of names of all its Shareholders who are entitled to notice of the Shareholders meeting. The Secretary shall make the list available for inspection by any Shareholder, beginning two (2) days after notice of the meeting is given for which the list was prepared, at the Corporation's principal place of business, or at a place designated in the meeting notice. During the period specified in this By-Law, a Shareholder or such Shareholder's agent may inspect the list during regular business hours on written notice to the Secretary stating the date upon which the inspection is requested to take place, which date shall be not less than five (5) days from the date the request is made. The Corporation shall make the list available at the meeting, and any Shareholder or his agent may inspect the list at any time during the meeting or any adjournment thereof. Refusal or failure to prepare or make available the Shareholders' list pursuant to this Bylaw shall not affect the validity of any action taken at the meeting.

(7) QUORUM. Except as otherwise provided by law, these By-laws or the Articles of Organization, a majority of the outstanding shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of Shareholders, and a majority of votes cast at any meeting at which a quorum is present shall be decisive of any motion or election, unless a greater number is required by law, by these By-laws or by the Articles of Organization. The meeting may be adjourned from time to time by a majority of the votes cast. The Secretary must give proper notice of the time, date, or place unless the new time, date, or place is announced at the meeting. Once a share is represented for any purpose at a meeting other than for the purpose of objecting to the holding of the meeting or the transaction of business at the meeting, such share is considered present for the purpose of determining whether a quorum exists for any adjournment of that meeting, unless a new record date is set for that adjourned meeting.

(8) PROXIES. At any meetings of the Shareholders, any Shareholder is entitled to vote by proxy. A Shareholder may appoint a person to vote or otherwise act for him by signing an appointment form, either personally or by

his authorized agent. Such a proxy appointment form shall be delivered to the Secretary of the Corporation in person, by mail or by messenger, not less than forty-eight (48) hours prior to the date of any Shareholder meeting. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided conspicuously on the face of the appointment form. Appointment forms or revocations transmitted by facsimile, telex, telegram, or electronic means shall not be accepted.

(8.25) Revoking Proxies. A Shareholder may revoke a proxy appointment form signed by him by:

(a) openly stating the revocation at the Shareholders meeting;

(b) voting at the Shareholders meeting in person;

(c) submitting a proxy appointment form bearing a later date to the corporate Secretary pursuant to the provisions of these Bylaws; or

(d) delivering a signed written statement revoking the proxy to the corporate Secretary prior to the date of the meeting.

(8.50) Proxy Validation. Any valid proxy appointment form must meet the following standards:

(a) The proxy appointment form must be delivered to the Secretary of the Corporation pursuant to the provisions of these Bylaws;

(b) The appointment form shall bear a signature in handwriting sufficiently legible to allow the inspector to distinguish it as representing the name of a registered Shareholder, or be accompanied by a rubber stamp facsimile or hand-printed name, including the Shareholder's surname, and either the Shareholder's first or middle name as represented on the corporate records, and any titles, offices or words indicating agency which appear in the corporate records;

(c) If the name appearing on the appointment form does not correspond with the Shareholder's name in the corporate records, the signature on the appointment form must then include some indication of the signator's agency, office or authority allowing them to represent these Shareholder in this particular matter;

(d) If the Shareholder is an entity, the person signing the form must demonstrate their authority as officer or agent;

(e) If the person signing the appointment form purports to be a personal representative, administrator, executor, guardian or conservator, the person signing the form must demonstrate their authority to represent the Shareholder in this matter; or

(f) If two or more persons are Shareholders as co-tenants or fiduciaries and the name signed purports to be the name of at least one of the co-owners, the person signing the form must demonstrate their authority to act on behalf of the other co-owners(s).

The inspector shall in good faith, considering the facts and circumstances, determine whether each proxy appointment satisfies these standards. In making his determination the inspector shall be entitled to rely upon the genuineness of all signatures and purported authority of persons designated as officers, agents, representatives or co-owners. The inspector's determination shall be final.

(9) VOTING. Each outstanding share entitled to vote shall be entitled to one (1) vote upon each matter submitted to a vote at a meeting of Shareholders. Upon demand of any Shareholder, the vote for Directors shall be by ballot.

(10) VOTING OF SHARES BY CERTAIN SHAREHOLDERS. Shares standing in the name of another Corporation may be voted either in person or by proxy, by the President of such Corporation or any other officer appointed by such President. Shares held by an administrator, executor, guardian, conservator, trustee in bankruptcy, receiver, or assignee for creditors may be voted by him, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a fiduciary may be voted by him, either in person or by proxy. A Shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter, the pledgee shall be entitled to vote the shares so transferred.

Shares of its own stock belonging to the Corporation shall not be voted, directly or indirectly at any meeting, and shall not be counted in determining the total number of outstanding shares entitled to vote at any given time, but shares of its own stock held by it in a fiduciary capacity may be voted and shall be counted in determining the total number of outstanding shares at any given time.

(11) INSPECTORS OF ELECTION. Prior to the meeting, the Board of Directors may appoint no fewer than one (1) but no more than seven (7) inspectors to serve at any meeting of the Shareholders. The inspectors may be selected from among the employees of the Corporation or any individuals not affiliated with the Corporation. The inspectors shall determine the number of shares outstanding and the voting power of each share, the number of shares represented at the meeting, the existence of a quorum, and the validity and effect of proxy appointments. The inspectors shall also receive votes, ballots and consents, hear and determine challenges and questions in connection with the right to vote, decide all questions relating to the qualifications of voters and the validity of proxy appointments pursuant to the provisions of these Bylaws, count and tabulate all votes, ballots or consents, and do such acts as are proper to conduct the election with fairness to all Shareholders. In the event the Board of Directors does not appoint any inspector, the Secretary of the Corporation shall perform any duties and exercise any authority provided to the inspector under these By-Laws.

(11.5) Procedures at the Shareholder Meeting. The Chairman of the meeting shall follow the order of business prepared by the Secretary of the Corporation pursuant to the provisions of these By-laws. The Chairman of the meeting may rule out of order any motion from the floor to consider a matter not appearing on the agenda. All matters on the agenda may be combined on a single ballot, and in the case of an election for the Board of Directors, all names of those candidates properly nominated under these By-laws may appear together on a single ballot. The Chairman shall announce the outcome following each vote, however the final count may be completed after the meeting provided the inspectors of the election sign a supplemental certification of election specifying the final count. The inspectors shall determine that each individual admitted to the meeting is a Shareholder on or prior to the record date, and no other individual shall participate in or observe the meeting, otherwise than by direction of the Chairman. The Board of Directors may provide for security to maintain reasonable decorum and ensure the safety of the participants.

The Chairman of the meeting is responsible for enforcing the rules of procedure on the floor of the meeting. Statements by Shareholders may not exceed two (2) minutes, or three (3) minutes in the case of the proponent's initial remarks on a matter before the Shareholders. The Chairman of the meeting may rule out of order any statement that exceeds the allotted time, goes beyond the matter before the Shareholders, repeats earlier statements at the meeting, or relates to subject matters beyond the general interest of the Shareholders. The Chairman of the meeting shall have the power to rule on any other points of order and his decision shall be final.

(12) WAIVER OF NOTICE BY SHAREHOLDERS. Whenever any notice whatever is required to be given to any Shareholder of the Corporation under the Articles of Incorporation or By-laws or any provision of law, a waiver thereof in writing, signed at any time, whether before or after the time of meeting, by the Shareholder entitled to such notice, shall be deemed equivalent to the giving of such notice, provided that such waiver in respect to any matter of which notice is required under any provision of Wisconsin law, shall contain the same information as would have been required to be included in such notice, except the time and place of meeting.

(13) INFORMAL ACTION BY SHAREHOLDERS. Any action required or permitted by the Articles of Incorporation or By-laws or any provision of law to be taken at a meeting of the Shareholders, may be taken without a meeting if a consent in writing, setting forth the action so taken shall be signed by all of the Shareholders entitled to vote with respect to the subject matter thereof.

ARTICLE III. BOARD OF DIRECTORS

(1) GENERAL POWERS. The business and affairs of the Corporation shall be managed by its Board of Directors.

(2) SPECIFIC POWERS. Without prejudice to such general powers and subject to the laws of Wisconsin and the Articles of Organization, it is hereby expressly declared that the Directors shall have the following powers, to-wit: to adopt and alter a common seal of the Corporation; to make and change regulations not inconsistent with these By-Laws, for the management of the Corporation's business and affairs; to purchase or otherwise acquire for the Corporation any property, rights or privileges which the Corporation is authorized to acquire; to pay for any property purchased for the Corporation either wholly or partly in money, stock, bonds, debentures or other securities of the Corporation; to borrow money and to make and issue notes, bonds, and other negotiable and transferable instruments, mortgages, necessary to effectuate the same; to appoint and remove or suspend such subordinate officers, agents or factors as they may deem necessary and to determine their duties, and fix and from time to time change their salaries or renumeration, and to require security as and when they think fit; to confer upon any officer of the company the power to appoint, remove and suspend subordinate officers, agents and factors; to determine who shall be authorized on the Corporation's behalf to make and sign bills, notes, acceptances, endorsements, checks, releases, contracts and other instruments.

(3) NUMBER, TENURE, RESIGNATION AND QUALIFICATIONS. The number of directors of the Corporation shall be eleven (11). Directors need not be

residents of the State of Wisconsin nor Shareholders of the Corporation.

The Board of Directors shall be divided into three classes, consisting of three, three and five Directors. The term of office of each Director elected for a full term shall be the period of three years to expire at the Annual Meeting of Shareholders three years after the date of his election. The number of Directors to be elected at such meeting shall be equal to the number whose term expires at the time of such meeting. Each Director shall hold office for the term for which he is elected and until the next Annual Meeting of Shareholders at which his successor shall be elected, or until his death, or until he shall resign or shall have been removed in a manner provided in these By-Laws.

(4) REGULAR MEETINGS. A regular meeting of the Board of Directors shall be held without other notice than this By-Law immediately after and at the same place as the Annual Meeting of Shareholders and each adjournment thereof. The Board of Directors may provide by resolution the time and place, either within or without the State of Wisconsin, for the holding of additional regular meetings without other notice to Directors than such resolution.

(5) SPECIAL MEETINGS. Special Meetings of the Board of Directors may be called by or at the request of the Chairman, President, Secretary, or any five (5) Directors. Special Meetings of the Board of Directors shall be held at such place, either within or without the State of Wisconsin, as the majority of the members of the Board of Directors may from time to time appoint.

(6) NOTICE. Notice of any Special Meeting shall be given at least forty-eight (48) hours previously thereto by written notice, delivered personally or mailed to each Director at his business address, or by telegram. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Whenever any notice whatever is required to be given to any Director of the Corporation under the Articles of Incorporation or By-Laws, or any provision of law, a waiver thereof in writing, signed at any time whether before or after the time of meeting, by the Director entitled to such notice, shall be deemed equivalent to the giving of such notice. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting and objects thereat to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or Special Meeting of the Board of Directors need to be specified in the notice or waiver of notice of such meeting.

(7) QUORUM. Except as otherwise provided by law or by these By-Laws, a majority of the number of Directors fixed by Section (3) of this Article III shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but a majority of the Directors present (though less than such quorum) may adjourn the meeting from time to time without further notice.

(8) MANNER OF ACTING. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law by the Articles of Organization or by these By-Laws.

(8.5) Conducting Meetings. Any or all directors may participate in or conduct a regular or Special Meeting of the Board of Directors through the use of any means of communication by which all participating directors may simultaneously hear each other during the meeting, and all communication during the meeting is immediately transmitted to each participating director and each participating director is able to send immediately messages to all participating directors. If any means of communication as described above is to be utilized at a meeting of the Board of Directors, all participating directors must be informed that a meeting is taking place at which official business may be transacted.

(9) VACANCIES. Any vacancy in the Board of Directors, including a vacancy created by an increase in the number of Directors, may be filled until the next succeeding annual election by the affirmative vote of a majority of the Directors then in office, though less than a quorum of the Board of Directors. In the event of removal of one or more Directors as provided by these By-Laws, a new Director or Directors to fill such vacancy or vacancies, as the case may be, may be elected at the same meeting of Shareholders at which such action of removal is taken.

(10) COMPENSATION. The Board of Directors, by affirmative vote of a majority of the Directors then in office, and irrespective of any personal interest of any of its members, may establish reasonable compensation of all Directors for services to the Corporation as Directors, officers or otherwise. The Board of Directors also shall have authority to provide for reasonable pensions, disability or death benefits, and other benefits or payments, to Directors, officers and employees and to their estates, families, dependents or beneficiaries on account of prior services rendered by such Directors, officers and employees to the Corporation. Each Director shall also be reimbursed for his necessary expenses in connection with attending meetings of the Board of Directors.

(11) PRESUMPTION OF ASSENT. A Director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

(12) INFORMAL ACTION BY DIRECTORS. Any action required or permitted by the Articles of Incorporation, By-Laws, or other provision of law, which might be taken at a meeting of the Board of Directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors.

(12.5) Emergency By-Laws. In the event of an emergency, which, for purposes of this By-Law, is defined as a catastrophic event including but without limitation to, a fire, plane crash, tornado, flood, or snow storm, preventing a quorum of the Board of Directors from being assembled, the following emergency By-Law provisions shall become and remain effective until such time as it is practicable for a normally constituted Board of Directors to resume management of the business of the Corporation.

(a) Those members of the Board of Directors who are available during the emergency shall continue to manage the business of the Corporation. A director is unavailable under this By-Law if such director is unable to receive notice of a Board of Directors meeting as provided in Article III, Section (6) of the By-Laws, or having received notice is by reason of the emergency unable to participate in the meeting so noticed.

(b) Three (3) directors shall constitute a quorum of the Board of Directors during an emergency. If the number of available directors should drop below three (3), additional directors may be appointed by the remaining directors from the officers or employees of the Corporation. Not more than three (3) directors shall be appointed under this provision.

(c) Meetings during an emergency may be called by any available director, using any reasonable means of communication in an effort to contact or give notice to each remaining director.

(d) During an emergency, any director may participate in or conduct a meeting of the Board of Directors through any available means of communication which allows all directors participating to simultaneously hear each other, and such communication is immediately transmitted to each director.

(e) The provisions of the Corporation's regular By-laws shall remain effective during the emergency period except to the extent inconsistent therewith.

(f) The emergency By-laws shall no longer be effective after the emergency ceases and the term of any Director appointed to serve during such emergency shall end.

(13) RESIGNATION AND REMOVAL FOR CAUSE. Any Director, member of a committee or other officer may resign at any time. Such resignation shall be made in writing, and shall take effect at the time specified therein, and if no time be specified, at the time of its receipt by the President or Secretary. The acceptance of a resignation shall not be necessary to make it effective.

A Director may be removed from office during the term of such office but only upon a showing of good cause, such removal to be by affirmative vote of a majority of the outstanding shares entitled to vote for the election of such Director and which action may only be taken at a Special Meeting of stockholders called for that purpose.

A Special Meeting of the stockholders as herein referred to may only be held after a hearing on the matter of cause claimed to exist has been held by the full Board of Directors of the company at which hearing the Director or Directors proposed for removal shall be given an adequate opportunity for preparation and attendance in person (together with representation by counsel); provided, however, that such hearing shall be held only after written notice has been given to said Director or Directors proposed for removal specifying the matters of cause claimed to exist. The conclusions of said hearing shall be reported by the Board of Directors in writing accompanying the notice of the special stockholders' meeting sent to each stockholder eligible to vote at said Special Meeting.

(14) DIRECTORS EMERITUS. The Board of Directors may from time to time name Directors Emeritus of the Board of Directors of the Corporation who shall be entitled to receive notice of all meetings of the Board and to attend thereat, provided that they shall not be entitled to a vote upon any proposition to be voted by said Board of Directors. Director Emeritus shall serve at the pleasure of the Board.

ARTICLE IV. OFFICERS

(1) NUMBER AND QUALIFICATION. The principal officers of the Corporation shall be a Chairman and Chief Executive Officer, at the option of the Board, a President and Chief Operating Officer, an Executive Vice President, one or more other Vice Presidents as the Board may choose to select, a Secretary, a Treasurer, and at the option of the Board, a President of North American Operations. The Chairman and Chief Executive Officer and the President and Chief Operating Officer shall be selected from among the membership of the Board of Directors and shall hold office until their successors are elected and qualified notwithstanding any earlier termination of their office as director, other than their removal for cause. Such other officers and assistant officers that may be deemed necessary may be elected or appointed by the Board and any two or more offices may be held by the same person except the offices of President and Chief Operating Officer and Vice President.

(2) ELECTION AND TERM OF OFFICE. The officers of the Corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each Annual Meeting of the Shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until his successor shall have been duly elected, or until his death, or until he shall resign, or shall have been removed in a manner hereinafter provided.

(3) REMOVAL. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever, in its judgment, the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment shall not of itself create contract rights. The Chairman and Chief Executive Officer or President and Chief Operating Officer may suspend any officer until the next Board meeting.

(4) VACANCIES. A vacancy in any principal office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

(5) CHAIRMAN AND CHIEF EXECUTIVE OFFICER. The Chairman and Chief Executive Officer shall preside at all meetings of the Board of Directors, and shall have the general powers and duties of supervision and management of the business of the Corporation, its officers and agents. He shall have authority to sign certificates for shares of the Corporation as provided in ARTICLE VII hereof. He shall have authority, subject to such agents and employees of the Corporation as he shall deem necessary, to prescribe their powers, duties and compensation and to delegate authority to them. Such agents and employees shall hold office at the discretion of the Chairman and Chief Executive Officer. In his capacity as Chairman and Chief Executive Officer, he shall also appoint all Board committees and their chairmen and he shall have such other power and duties as may from time to time be prescribed by the Board of Directors.

(6) PRESIDENT AND CHIEF OPERATING OFFICER. The President and Chief Operating Officer shall, in general, supervise, direct and control the operations and business of the Corporation subject to the supervision and direction of the Chairman and Chief Executive Officer and the Board of Directors and the provisions of these By-Laws. The President and Chief Operating Officer shall also, subject to such rules as may be prescribed by

these By-laws, the Chariman and Chief Executive Officer, or the Board of Directors, have the authority to sign, execute and acknowledge on behalf of the Corporation all deeds, mortgages, contracts, leases, reports and all other documents or instruments necessary or proper to be executed in the course of the Corporation's regular business, including certificates for shares of the Corporation. In the absence of the Chairman and Chief Executive Officer, he shall preside at all meetings of the Shareholders and Board of Directors.

(7) VICE PRESIDENTS. In the absence of the President and Chief Operating Officer, or in the event of his death, inability or refusal to act, the Executive Vice President or in his absence the Vice President-Finance (or should neither be available then the other Vice Presidents in the order designated at the time of their election or in the absence of any designation, then in the order of their election) shall perform the duties of the President and Chief Operating Officer, and when so acting shall have all the powers of and be subject to all the restrictions upon the President and Chief Operating Officer. Any Vice President may sign, with the Chairman and Chief Executive Officer and with the Secretary or Assistant Secretary, certificates for shares of the Corporation; and shall perform such other duties and have such authority as from time to time may be assigned to him by the Chairman and Chief Executive Officer or President and Chief Operating Officer or by the Board of Directors. Any Vice President is authorized to affix the seal of the Corporation to any document which requires the same.

(8) SECRETARY. The Secretary shall: (a) keep the minutes of the Shareholders' and of the Board of Directors' Meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these By-laws or as required by law; (c) be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents which require the same, the execution of which on behalf of the Corporation under its seal is duly authorized by another officer hereunder or by the Board of Directors; (d) keep a register of the post office addresses of each Shareholder which shall be furnished to the Secretary by such Shareholders; (e) sign with the Chairman and with the President or a Vice President certificates for shares of the Corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (f) have general charge of the stock transfer books of the Corporation; and (g) in general, perform all duties incident to the office of Secretary and have such other duties, and exercise such authority as from time to time may be delegated or assigned to him by the Chairman and Chief Executive Officer or President and Chief Operating Officer or by the Board of Directors.

(9) TREASURER. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for monies due and payable to the Corporation from any source whatsoever, and deposit all such monies in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Article VI of these By-Laws; and (b) in general, perform all of the duties incident to the office of Treasurer and have such other duties and exercise such other authority as from time to time may be delegated or assigned to him by the Chairman or President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine. The Treasurer is authorized to affix the seal of the Corporation to any document which requires the same.

(10) ASSISTANT AND ACTING OFFICERS. The Board of Directors shall have

the power to appoint any person to act as assistant to any officers when deemed desirable, or to perform the duties of such officer whenever for any reason it is impractical for such officer to act personally, and such assistant or acting officer so appointed by the Board of Directors shall have the power to perform all the duties of the office to which he is so appointed to be assistant, or as to which he is so appointed to act, except as such power may be otherwise defined, conditioned or restricted by the Board of Directors.

(11) SALARIES. The salaries of the officers shall be fixed from time to time by the Board of Directors, and no officer shall be prevented from receiving such salary by the reason of the fact that he is also a Director of the Corporation.

ARTICLE V.

INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES

To the fullest extent allowed by law, this Corporation shall indemnify its directors and officers against expenses (including attorney's fees, court costs, and disbursements) and liabilities (including ERISA excise taxes, judgments, fines and amounts paid in settlement) incurred in connection with any actual or threatened action, suit or proceeding to which such person is made or threatened to be made a party by reason of being, or having been, a director or officer or, upon written request of the Corporation pursuant to a resolution of its Board of Directors, serving or having served any other entity, including any benefit plan of the Corporation.

Prior to the final disposition of an action, the Corporation may advance expenses for the defense thereof, provided it has received adequate assurances of repayment if it is ultimately determined that the individual is not entitled to repayment.

The Corporation shall have the power and authority to purchase and maintain insurance on behalf of any person who is or was a director, officer or employee of the Corporation or is or was serving at the request of the Corporation in such capacity in any other enterprise against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such whether or not the Corporation itself would have the power to indemnify him against such liability under the remaining provisions of this By-Law.

Indemnification pursuant to this By-Law shall not be exclusive and shall be in addition to that granted from time to time by operation of law, agreement, or vote of the Corporation's directors or Shareholders. With respect to liabilities and/or expenses arising from or incurred in connection with an individual serving, at the Corporation's request, any other entity, indemnification by the Corporation shall be deemed to be excess and any indemnification or insurance provided by such other entity shall be deemed to be primary.

ARTICLE VI.

CONTRACTS, LOANS, CHECKS AND DEPOSITS

(1) CONTRACTS. To the extent not otherwise authorized by these By-

Laws, the Board of Directors may authorize any officer or officers, or agent or agents, or the Corporation to enter into any contract or execute and deliver any instrument in the names of and on behalf of the Corporation, and such authorization may be general or confined to specific instances.

(2) LOANS. No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by or under the authority of a resolution of the Board of Directors. Such authorization may be general or confined to specific instances.

(3) CHECKS, DRAFTS, AND OTHER EVIDENCES OF INDEBTEDNESS. All checks, drafts, or other orders for the payment of money issued in the name of the Company shall be signed by such employee or employees, agent or agents, of the Company as are appointed by the President, and in such manner, including facsimile and printed signatures, as may be designed by the President. In connection with the furnishing of authorizing resolution and signature card forms needed by commercial banks, the Corporate Secretary, or any Assistant Secretary, is authorized to execute and certify to such forms as he may deem appropriate as adopted under the authority of this By-Law and as binding upon the Company in acceptance therewith, thereby empowering employees or agents appointed by the President to sign checks, drafts, or other orders for the payment of money in the name of the Company.

(4) DEPOSITS. All funds of the Corporation, not otherwise employed, shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as may be selected by or under the authority of the Board of Directors.

ARTICLE VII.

CERTIFICATES FOR SHARES AND THEIR TRANSFER

(1) CERTIFICATES FOR SHARES. Certificates representing shares of the Corporation shall be in such form as shall be determined by the Board of Directors. Such Certificates shall be signed by the President or a Vice President and by the Secretary or an Assistant Secretary and may be signed by the Chairman of the Board and may be sealed with the seal of the Corporation or a facsimile thereof. Signatures of the Chairman of the Board, the President, the Vice President, the Secretary or Assistant Secretary on a certificate may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation or an employee of the Corporation. In the event any officer who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer before such certificate is issued, such certificate may be issued by the Corporation with the same effect as if such person were such officer at the date of issue of such certificate. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except that in case of a lost, destroyed or mutilated certificate, a new one may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

(2) TRANSFER OF SHARES. Transfer of shares of the Corporation shall be made only on the stock transfer books of the Corporation by the holder of

record thereof or by his legal representative, who shall if so required furnish proper evidence of incumbency or appointment and of authority to transfer, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation, and on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the Corporation is to be the owner thereof for all purposes.

(3) LOST CERTIFICATES. A new certificate of stock may be issued in the place of any certificate theretofore issued by the Corporation, alleged to have been lost or destroyed, and the Board of Directors may, in their discretion, require the owner of the lost or destroyed certificate or his legal representatives to give the Corporation a bond, in such sum as they may direct, not exceeding double the value of the stock evidenced by such certificate, to indemnify the Corporation against any claim that may be made against it on account of the alleged loss of any such certificate, or the issuance of any such new certificate.

(4) STOCK REGULATIONS. The Board of Directors shall have the power and authority to make all such further rules and regulations not inconsistent with the statutes of the State of Wisconsin as they may deem expedient concerning the issue, transfer and registration of certificates representing shares of the Corporation.

ARTICLE VIII. FISCAL YEAR

The fiscal year of the Corporation shall begin on the 1st day of July in each year and shall end on the 30th day of June in the following year.

ARTICLE IX. DIVIDENDS

The Board of Directors may from time to time declare, and the Corporation pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law. Before declaring any dividends, there may be set apart out of any funds of the Corporation available for dividends, such sum or sums as the Board of Directors from time to time in their discretion deem proper for working capital or as a reserve fund to meet contingencies or for equalizing dividends, or for such other purposes as the Board of Directors shall deem conducive to the best interest of the Corporation.

ARTICLE X. SEAL

The corporate seal shall be a round metallic disk with the words "TWIN DISC, INCORPORATED, Racine, Wisconsin" around the circumference, and the words "Corporate Seal" in the center. If a facsimile or printed seal is used on stock certificates, it shall be similar in content and design to the above.

ARTICLE XI. AMENDMENTS

These By-laws may be amended, repealed or altered in whole or in part by the affirmative vote of not less than two-thirds (2/3rds) of the shares of the company entitled to vote thereon or by the affirmative vote of not less than two-thirds (2/3rds) of the full Board of Directors of the Company at any regular meeting of the Shareholders or Board of Directors, or at any Special Meeting of the Shareholders or Board of Directors provided that such action has been specified in the notice of any such Special Meeting.

EXHIBIT 13

FINANCIAL HIGHLIGHTS

	1995	1994	1993
Net Sales	$164,232	$141,193	$139,403
Earnings Before Accounting Changes	5,672	4,389	2,662
Earnings Per Share Before Accounting Changes	2.03	1.57	.95
Dividends Per Share	.70	.70	.70
Average Shares Outstanding For The Year	2,790,111	2,799,390	2,799,603

Sales and Earnings by Quarter

1995	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year
Net Sales	$31,600	$41,102	$42,946	$48,584	$164,232
Gross Profit	6,444	9,246	9,502	11,154	36,346
Net Earnings	183	1,384	1,405	2,700	5,672
Net Earnings Per Share	.07	.49	.50	.97	2.03
Dividends Per Share	.175	.175	.175	.175	.70
Stock Price Range:					
High	24 1/4	23 5/8	21 1/4	25	25
Low	19 3/8	17	18 3/8	21 3/8	17

Sales and Earnings by Quarter

1994	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year
Net Sales	$30,355	$35,667	$34,147	$41,024	$141,193
Gross Profit	4,476	7,064	7,503	8,746	27,789
Net Earnings(Loss)	(223)	763	942	2,907	4,389
Net Earnings(Loss) Per Share	(.08)	.27	.34	1.04	1.57
Dividends Per Share	.175	.175	.175	.175	.70
Stock Price Range:					
High	20 1/8	20 1/8	21 1/4	20 1/2	21 1/4
Low	16 7/8	19	18 3/4	19 1/8	16 7/8

The 1993 Earnings are from operations and are stated before the cumulative effect of adopting SFAS 106 and 109. The net cumulative effect of adopting those standards was a charge of $14.44 million, or $5.16 per share.

Based on average shares outstanding for the period.

In thousands of dollars except per share and stock price range statistics.

RESULTS OF OPERATIONS
NET SALES, NEW ORDERS AND BACKLOG

After two years of relatively flat growth, sales increased substantially in 1995. During the recovery period, the extent and timing of demand increases varied by market with a strong, general improvement in the marine markets not occurring until 1995. The favorable three year order rate and backlog trends also showed sharp improvement in the year just completed.

Net sales for 1995 were $164 million, an increase of 16 percent over the $141 million reported in 1994, and 18 percent above the $139 million in 1993. For several years there was modest demand improvement in diverse markets which provided for some overall improvement in sales volume. Consolidated sales increased slightly in 1994 primarily due to increased demand on our Belgian plant. Shipments from domestic manufacturing operations were down 3 percent in that year as the result of reduced demand for power take-offs and higher horsepower marine transmissions and the transfer of the responsibility for mobile torque converter production to Belgium. In that same year, shipments from Europe increased sharply as a result of the new torque converter production, enhanced by improved demand from the light construction equipment market, and the beginning of recovery in the pleasure craft marine market. The recovery expanded in 1995 with the pleasure craft and commercial marine, light construction equipment, agricultural tractor, and specialty vehicle markets all providing support for domestic and European volume increases of about 12 percent.

Shipments from our overseas marketing subsidiaries in 1994 were about equal to the previous year but increased by about 8 percent in the year just completed. Sales gains were realized in Arneson surface drives and higher-horsepower marine transmissions for the Australian fish boat market. And there was continuing improvement in the volume of transmissions sold through our South African subsidiary to the agricultural tractor market.

The backlog of orders to be shipped within the following six months, has been on an improving trend the past several years, but until fiscal 1995 the improvement had been modest and uneven from quarter to quarter. During fiscal 1995, the 53 percent improvement from $47 million to $72 million was continuous and strong. Order rates improved steadily throughout the year.

For several years through fiscal 1994, the fluctuation in foreign currency exchange rates had little impact on the dollar sales. However, in fiscal 1995 the dollar weakened significantly against most of the currencies in which we operate, most notably about 15 percent against European currencies. That decline in the dollar's value helped boost reported sales and accounted for about one-half of the sales increase in 1995. On the other hand, it also made selling into certain areas difficult and depressed profit margins at our Belgian operation. Price increases, which were implemented selectively in each year, had the effect of increasing revenues overall by a rate slightly greater than the rate of inflation.

MARGINS, COSTS AND EXPENSES

From 1992 through 1994, with most markets relatively weak, our sales remained flat and we concentrated on improving profitability at that level of business. There have been continuing efforts to adjust manpower requirements and to restructure manufacturing facilities to establish a foundation for more efficient operations. Temporary reductions in our domestic work force in 1993 were made permanent in early 1994 with a voluntary separation program. Related to that action and to some delays experienced in completing the scheduled plant rearrangement, productivity and gross margins were adversely affected through much of the fiscal year.

However, there was a slight improvement in the consolidated gross margin in 1994 as a result of cost reduction action, productivity improvements, and volume increases at our Belgian operation. Steps were taken there in 1993 to reduce manpower and improve productivity, with the result of being well positioned to take advantage of the 1994 volume increase. The gross margin increased by more than 2 percentage points in 1995, caused primarily by the increased domestic sales volume. There also was further improvement in margins in Belgium in 1995, but not as great as indicated by the volume increase due to the drop in value of the U.S. dollar. The weak dollar put pressure on profit margins since much of their incremental demand was in dollar denominated sales. Fortunately, our Belgian employees were able to generate greater productivity to offset some of the margin loss.

Marketing, engineering, and administrative (MEA)expenses increased slightly in 1994 with the addition of a full fiscal year of expense from Southern Diesel Systems. In 1995, the MEA expenses increased by almost 16 percent but remained constant as a percent of sales. Principal components of the increase were computer leasing and training costs associated with the phase-in of new business systems, weakness of the dollar exchange rates, and expenses associated with domestic operational changes.

INTEREST, TAXES AND NET EARNINGS

Interest rates changed little between 1993 and 1994, but interest expense declined since a higher proportion of borrowings were made at the lower rates prevailing in the United States. The year-end borrowings were lower, but average debt outstanding during the year was about the same as in 1993. The effective income tax rate of 12 percent in 1994 was well below normal and resulted from the utilization of foreign tax credit carryforwards to offset the domestic tax liability.

Interest expense increased significantly in 1995 as a result of both higher bank rates and greater domestic borrowings. The incremental debt was related to the business acquisition made early in the fiscal year. The effective income tax rate returned to a more normal range in 1995 but was still somewhat below historical figures as we again were able to utilize a small amount of foreign tax credit carryforwards. The realization of additional benefits from foreign tax credits depends, in part, on the results of domestic operations and cannot be determined accurately at this time.

ACCOUNTING CHANGES

As of the beginning of fiscal year 1993, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Accounting for Postretirement Benefits Other Than Pensions" and SFAS 109, "Accounting for Income Taxes". The net cumulative effect of these accounting changes as of July 1, 1992, and as included in the 1993 first quarter results, was $14.4 million. The SFAS 106 charge of $15.5 million was offset by $1.1 million, the favorable impact of SFAS 109. The expense recognized upon the adoption of SFAS 106 related to the Company's election to immediately expense the transition obligation rather than amortize it over future periods. The income tax benefit relating to the adoption of SFAS 109 is attributable to tax rate differences and the recognition of alternative minimum tax credit carryforwards.

In connection with the adoption of SFAS 106, there were certain changes made to Company pension plans to provide future retirees the means to purchase health insurance made available through the Company. The cost of the plan improvement is currently about $1.2 million pretax per year and is included in operating costs.

ACQUISITIONS AND DIVESTITURES

The purchase of a minority interest in Palmer Johnson Distributors, LLC, was completed on July 1, 1994. The limited liability company was established to operate one of Twin Disc's independent distributors in the Midwest. It operates with the same management as the predecessor organization and is accounted for by the equity method. An operating agreement signed in connection with the investment provides Twin Disc the potential for expanding its investment in the future.

In May 1995, Twin Disc purchased the stock of Marine Diffusion, SRL, an Italian company active in the distribution of the Arneson surface drive. The company, renamed Twin Disc Italia S.R.L., will provide sales and service for the full range of Twin Disc products and improve product visibility and service capability for our European customers.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities in 1994 increased to $7.1 million, primarily as a result of improved earnings and inventory reduction. Cash also was generated through the sale of unused machine tools from the domestic operation. Those cash flows more than covered equipment purchases, dividends, and payments on long-term debt. Operating cash flows for 1995 increased to $7.6 million with some working capital increases, primarily inventory, partially offsetting the cash flow generated by improved net earnings. The operating cash flows and $1.4 million of net additional borrowings provided funds to invest in business acquisitions, purchase capital equipment and pay dividends. Fixed asset purchases in both years were less than depreciation. We will continue to make the changes necessary to enhance our manufacturing capability but expect to be able to support our current products with capital spending about equal to depreciation.

The current ratio at June 30, 1995 remained at 2.5, the same as at the previous two year-ends. Working capital increased by $6 million in 1995, generally reflecting the funds required to support the higher sales volume.

Accounts receivable average days outstanding continued a downward trend of the past few years improving modestly to 54 days at the end of 1995. However, the collection period is still somewhat higher than historical lows of about 50 days. Inventories increased at both domestic and overseas manufacturing operations as a result of the higher sales volume and exchange rate changes, but was stable or declined at the marketing subsidiaries. There was a small improvement in inventory turnover, but we continue to focus efforts on converting more of this major asset to cash.

The Company is involved in various stages of investigation relative to hazardous waste sites on the United States EPA National Priorities List. It is not possible at this time to determine the ultimate outcome of those matters, but, as discussed further in Footnote P to the audited financial statements, they are not expected to materially affect the Company's operations or financial position. The Company believes the capital resources available in the form of existing cash, lines of credit and funds provided by operations will be adequate to meet anticipated requirements for capital expenditures and other foreseeable business requirements in the future.

TWIN DISC, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 1995 and 1994

(In thousands)	1995	1994
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,741	$ 4,166
Trade accounts receivable, net	29,247	25,682
Inventories	47,157	41,569
Deferred income taxes	3,865	4,511
Other	6,480	4,482
Total current assets	90,490	80,410
Property, plant and equipment, net	37,348	36,676
Investment in affiliates	14,249	9,569
Deferred income taxes	4,119	4,584
Intangible pension asset	8,293	9,606
Other assets	3,802	3,071
	$158,301	$143,916
LIABILITIES and SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 2,415	$ 3,000
Accounts payable	12,395	7,890
Accrued liabilities	22,042	21,820
Total current liabilities	36,852	32,710
Long-term debt	14,000	11,500
Accrued retirement benefits	32,827	34,309
	83,679	78,519
Shareholders' equity:		
Common shares authorized: 15,000,000; issued: 3,643,630; no par value	11,653	11,653
Preferred shares authorized: 200,000	-	-
Retained earnings	67,054	63,353
Cumulative adjustments	13,797	7,778
	92,504	82,784
Less treasury stock, at cost	17,882	17,387
Total shareholders' equity	74,622	65,397
	$158,301	$143,916

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

TWIN DISC, INCORPORATED and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
for the years ended June 30, 1995, 1994 and 1993

(In thousands, except per share data)

	1995	1994	1993
Net sales	$164,232	$141,193	$139,403
Cost of goods sold	127,886	113,404	112,197
Gross profit	36,346	27,789	27,206
Operating expenses:			
Marketing, engineering and administrative expenses	26,461	22,840	22,015
Restructuring costs	-	-	1,072
Earnings from operations	9,885	4,949	4,119
Other income (expense):			
Interest income	186	173	158
Interest expense	(1,281)	(733)	(782)
Equity in earnings of affiliates	118	522	264
Other, net	(324)	56	265
	(1,301)	18	(95)
Earnings before income taxes and cumulative effect of accounting changes	8,584	4,967	4,024
Income taxes	2,912	578	1,362
Earnings before cumulative effect of accounting changes	5,672	4,389	2,662
Cumulative effect of accounting changes	-	-	(14,440)
Net earnings (loss)	$ 5,672	$ 4,389	$(11,778)

Earnings (loss) per common share data, based on weighted average shares outstanding:			
Before cumulative effect of accounting changes	$ 2.03	$ 1.57	$ .95
Cumulative effect of accounting changes	-	-	(5.16)
Net earnings(loss) per share	$ 2.03	$ 1.57	$ (4.21)
Weighted average shares outstanding	2,790	2,799	2,800

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

TWIN DISC, INCORPORATED and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended June 30, 1995, 1994 and 1993

(In thousands)	1995	1994	1993
Cash flows from operating activities:			
Net earnings (loss)	$ 5,672	$ 4,389	$(11,778)
Adjustments to reconcile to net cash provided by operating activities:			
Cumulative effect of accounting changes	-	-	14,440
Depreciation and amortization	4,847	4,726	5,088
Gain on disposals of plant assets	(3)	(185)	(194)
Equity in earnings of affiliates	(118)	(522)	(264)
Provision for deferred income taxes	1,038	(161)	(1,180)
Changes in operating assets and liabilities:			
Trade accounts receivable, net	(2,266)	(66)	341
Inventories	(3,259)	1,969	(4,360)
Other assets	(3,608)	(1,842)	(1,634)
Accounts payable	3,765	501	472
Accrued liabilities	1,170	(570)	4,502
Deferred retirement plan	337	(1,099)	(282)
Net cash provided by operating activities	7,575	7,140	5,151
Cash flows from investing activities:			
Proceeds from sale of plant assets	39	1,126	1,739
Dividends received from affiliate	371	342	296
Acquisitions of plant assets	(4,290)	(4,216)	(4,684)
Payments for business acquisitions and investment in affiliate	(3,172)	-	(3,460)
Net cash used by investing activities	(7,052)	(2,748)	(6,109)

Cash flows from financing activities:			
Increases (decreases) in notes payable, net	(1,113)	262	(9,980)
Proceeds from long-term debt	2,500	-	13,000
Principal payments on long-term debt	-	(1,500)	-
Acquisition of treasury stock	(586)	-	(6)
Proceeds from exercise of stock options	71	-	-
Dividends paid	(1,951)	(1,960)	(1,960)
Net cash provided (used) by financing activities	(1,079)	(3,198)	1,054
Effect of exchange rate changes on cash	131	69	(180)
Net change in cash and cash equivalents	(425)	1,263	(84)
Cash and cash equivalents:			
Beginning of year	4,166	2,903	2,987
End of year	$ 3,741	$ 4,166	$ 2,903

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

TWIN DISC, INCORPORATED and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
for the years ended June 30, 1995, 1994 and 1993
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(In thousands)	1995	1994	1993
Common stock			
Balance, June 30	$ 11,653	$ 11,653	$ 11,653
Retained earnings			
Balance, July 1	63,353	60,924	74,662
Net earnings (loss)	5,672	4,389	(11,778)
Cash dividends	(1,951)	(1,960)	(1,960)
Stock options exercised	(20)	-	-
Balance, June 30	67,054	63,353	60,924
Treasury stock, at cost			
Balance, July 1	(17,387)	(17,387)	(17,381)
Shares acquired	(586)	-	(6)
Stock options exercised	91	-	-
Balance, June 30	(17,882)	(17,387)	(17,387)
Cumulative adjustments			
Balance, July 1	7,778	6,219	7,505
Foreign currency translation adjustment	5,352	2,510	(1,286)
Minimum pension liability adjustment, net	667	(951)	-
Balance, June 30	13,797	7,778	6,219
Shareholders' equity balance, June 30	$ 74,622	$ 65,397	$ 61,409

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

Consolidation Principles--The consolidated financial statements include the accounts of Twin Disc, Incorporated and its subsidiaries, all of which are wholly owned. Certain foreign subsidiaries are included based on fiscal years ending May 31, to facilitate prompt reporting of consolidated accounts. All significant intercompany transactions have been eliminated.

Revenue Recognition--Revenues are recognized when products are shipped.

Investment In Affiliates--The Company's 25% ownership of Niigata Converter Company, Ltd., a Japanese manufacturer of power transmission equipment, and the Company's 25% ownership of Palmer Johnson Distributors, LLC, a major distributor of Twin Disc products, are stated at cost, adjusted for equity in undistributed earnings since acquisition.

Translation Of Foreign Currencies--Substantially all foreign currency balance sheet accounts are translated into United States dollars at the rates of exchange prevailing at year-end. Revenues and expenses are translated at average rates of exchange in effect during the year. Foreign currency translation adjustments are recorded as a component of shareholders' equity. Gains and losses from foreign currency transactions are included in earnings.

Cash Equivalents--The Company considers all highly liquid marketable securities purchased with a maturity date of three months or less to be cash equivalents.

Receivables--Trade accounts receivable are stated net of an allowance for doubtful accounts of $409,000 and $441,000 at June 30, 1995 and 1994, respectively.

Inventories--Inventories are valued at the lower of cost or market. Cost has been determined by the last-in, first-out (LIFO) method for parent company inventories, and by the first-in, first-out (FIFO) method for other inventories.

Property, Plant And Equipment And Depreciation--Assets are stated at cost. Expenditures for maintenance, repairs and minor renewals are charged against earnings as incurred. Expenditures for major renewals and betterments are capitalized and amortized by depreciation charges. Depreciation is provided on the straight-line method over the estimated useful lives of the assets for financial reporting and on accelerated methods for income tax purposes. The lives assigned to buildings and related improvements range from 10 to 40 years, and the lives assigned to machinery and equipment range from 5 to 15 years. Upon disposal of property, plant and equipment, the cost of the asset and the related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in earnings. Fully depreciated assets are not removed from the accounts until physical disposition.

Fair Value of Financial Instruments -- The carrying amount reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximates fair value because of the immediate short-term maturity of these financial instruments.

The carrying amount reported for long-term debt approximates fair value because the underlying instrument bears interest at a variable rate that reprices frequently.

Income Taxes--Income taxes are provided in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). SFAS 109 requires a company to recognize deferred tax liabilities and assets for the expected future income tax consequences of events that have been recognized in the company's financial statements. Under this method, deferred tax liabilities and assets are determined based on the temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the temporary differences are expected to reverse.

The Company does not provide for taxes which would be payable if undistributed earnings of its foreign subsidiaries or its foreign affiliate were remitted because the Company either considers these earnings to be invested for an indefinite period or anticipates that if such earnings were distributed, the U. S. income taxes payable would be substantially offset by foreign tax credits.

B. INVENTORIES

The major classes of inventories at June 30 were as follows:

(In thousands)	1995	1994
Finished parts	$32,887	$30,315
Work-in-process	11,036	7,539
Raw materials	3,234	3,715
	$47,157	$41,569

Inventories stated on a LIFO basis represent approximately 36% and 32% of total inventories at June 30, 1995 and 1994, respectively. The approximate current cost of the LIFO inventories exceeded the LIFO cost by $16,782,000 and $17,089,000 at June 30, 1995 and 1994, respectively.

C. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at June 30 were as follows:

(In thousands)	1995	1994
Land	$ 1,406	$ 1,161
Buildings	19,366	17,786
Machinery and equipment	88,675	84,829
	109,447	103,776
Less accumulated depreciation	72,099	67,100
	$ 37,348	$ 36,676

D. BUSINESS SEGMENTS AND FOREIGN OPERATIONS

The Company and its subsidiaries are engaged in one line of business, the manufacture and sale of power transmission equipment. Transfers among geographic areas are made at established intercompany selling prices. Principal products include industrial clutches, hydraulic torque converters, fluid couplings, power-shift transmissions, marine transmissions, universal joints, power take-offs, and reduction gears. The Company sells to both domestic and foreign customers in a variety of market areas, principally construction, industrial, marine, energy and natural resources and agricultural.

One customer accounted for approximately 12%, 13% and 12% of consolidated net sales in 1995, 1994 and 1993, respectively.

Information about the Company's operations in different geographic areas for the years ended June 30, 1995, 1994 and 1993 is summarized as follows:

(In thousands)	1995	1994	1993
Sales to unaffiliated customers:			
United States	$108,607	$ 95,331	$ 94,637
Foreign:			
Europe	35,572	27,222	26,126
Other	20,053	18,640	18,640
Total	$164,232	$141,193	$139,403
Transfers between geographic areas:			
United States	$ 26,167	$ 24,003	$ 22,293
Foreign:			
Europe	15,024	10,508	9,413
Other	361	132	224
Total	$ 41,552	$ 34,643	$ 31,930
Net sales:			
United States	$134,774	$119,334	$116,930
Foreign:			
Europe	50,596	37,730	35,539
Other	20,414	18,772	18,864
Eliminations	(41,552)	(34,643)	(31,930)
Total	$164,232	$141,193	$139,403
Earnings before income taxes and cumulative effect of accounting changes:			
United States	$ 4,332	$ 1,500	$ 1,548
Foreign:			
Europe	2,635	1,513	341
Other	1,617	1,954	2,135
Total	$ 8,584	$ 4,967	$ 4,024
Identifiable assets at June 30:			
United States	$106,971	$ 98,945	$ 91,787
Foreign:			
Europe	39,537	30,778	28,968
Other	10,269	9,814	10,659
Eliminations	1,524	4,379	5,491
Total	$158,301	$143,916	$136,905

Net earnings of the foreign subsidiaries were $2,480,000,$2,365,000 and $1,673,000 in 1995, 1994 and 1993, respectively. The net assets of the foreign subsidiaries were $32,368,000 and $29,580,000 at June 30, 1995 and 1994, respectively. Undistributed earnings of foreign subsidiaries, on which no provisions for United States income taxes have been made, aggregated approximately $22,897,000 (including

$7,246,000 translation component) at June 30, 1995. Included in earnings are foreign currency transaction gains (losses) of $(248,000), $21,000 and $226,000 in 1995, 1994 and 1993, respectively.

E. INVESTMENTS IN AFFILIATES

The Company's investments in affiliates consists of 25% interests in Niigata Converter Company, Ltd., Japan and Palmer Johnson Distributors, LLC, a domestic distributor of Twin Disc products. The Company acquired the interest in Palmer Johnson Distributors, LLC, in July 1994.

Undistributed earnings of the affiliates included in consolidated retained earnings approximated $3,623,000 and $3,980,000 at June 30, 1995 and 1994, respectively.

Combined condensed financial data of the above-listed affiliates are summarized in U.S. dollars as follows:

(In thousands)	1995	1994
Current assets	$111,393	$ 88,777
Other assets	63,898	30,804
	$175,291	$119,581
Current liabilities	$100,836	$ 75,281
Other liabilities	24,693	6,022
Shareholders' equity	49,762	38,278
	$175,291	$119,581

	1995	1994	1993
Net sales	$169,256	$152,728	$129,734
Gross profit	26,173	21,864	16,627
Net earnings	742	2,087	1,054

F. ACCRUED LIABILITIES

Accrued liabilities at June 30 were as follows:

(In thousands)	1995	1994
Salaries and wages	$ 6,476	$ 4,858
Retirement plans	7,818	9,340
Marketing program	625	390
Other	7,123	7,232
	$ 22,042	$ 21,820

G. DEBT

Notes payable consists of amounts borrowed under line of credit agreements. Unused lines of credit total $9,062,000 at June 30, 1995. These lines of credit are available predominately at the prime rate and may be withdrawn at the option of the banks. The weighted average interest rate of short term lines outstanding at June 30, 1995 and 1994 was 9.4% and 5.9%, respectively.

The Company maintains a three-year revolving credit agreement (the "Agreement") for borrowings of up to $16 million through April 1997 which may be extended on an annual basis. The Agreement provides that the Company may select among various loan arrangements with interest based on the LIBOR or prime rates. The Company must pay a commitment fee of 3/8 of 1% annually on the unused portion of the Agreement.

At June 30, 1995, the amount outstanding under the above Agreement was $14,000,000, bearing interest at approximately 7.5%. Principal payment is required upon final maturity of the Agreement.
Cash paid for interest on debt was $1,288,000, $771,000 and $768,000 in 1995, 1994 and 1993, respectively.

H. LEASE COMMITMENTS

Approximate future minimum rental commitments under noncancellable operating leases are as follows:

Fiscal Year	(In thousands)
1996	$ 1,811
1997	1,704
1998	1,332
1999	990
2000	478
Thereafter	479
	$ 6,794

Total rent expense for operating leases amounted to approximately $1,939,000, $1,633,000 and $862,000 in 1995, 1994 and 1993, respectively.

I. SHAREHOLDERS' EQUITY

At June 30, 1995 and 1994, treasury stock consisted of 868,606 and 844,240 shares of common stock, respectively. The Company purchased 28,766 shares of treasury stock in 1995. The Company issued 4,400 shares of treasury stock in 1995 to fulfill its obligations under the stock option plans. The difference between the cost of treasury shares issued and the option price is charged to retained earnings.

Cash dividends per share were $.70, in 1995, 1994 and 1993.

In 1988, the Company's Board of Directors established a Shareholder Rights Plan and distributed to shareholders of record on July 1, 1988, one preferred stock purchase right for each outstanding share of common stock. Under certain circumstances, a right may be exercised to purchase one one-hundredth of a share of Series A Junior Preferred Stock at an exercise price of $80, subject to certain anti-dilution adjustments. The rights become exercisable ten (10) days after a public announcement that a party or group has either acquired at least 20%, (or at least 30% in the case of existing holders who currently own 20% or more of the common stock), or commenced a tender offer for at least 30%, of the Company's common stock. Generally, after the rights become exercisable, if the Company is a party to certain merger or business combination transactions, or transfers 50% or more of its assets or earnings power, or certain other events occur, each right will entitle its holders, other than the acquiring person, to buy a number of shares of common stock of the Company, or of the other party to the transaction, having a value of twice the exercise price of the right. The rights expire June 30, 1998 and may be redeemed by the Company for $.05 per right at any time until ten (10) days following the stock acquisition date. The Company has designated 50,000 shares of the preferred stock for the purpose of a Shareholder Rights Plan.

J. STOCK OPTION PLANS

In 1989, the Company's shareholders adopted a non-qualified stock option plan for officers, key employees and directors to purchase up to 75,000 shares of common stock, and an incentive stock option plan for officers and key employees to purchase up to 125,000 shares of common stock. In 1994, the Company amended its stock option plans, increasing the shares of common stock available for grant to 125,000 for the non-qualified stock option plan and to 225,000 for the incentive stock option plan.

The plans are administered by the Executive Selection and Compensation Committee of the Board of Directors which has the authority to determine which officers and key employees of the Company will be granted options. The grant of options to non-employee directors is fixed and based on such directors' seniority. All options allow for the purchase of common stock at prices not less than the fair market value of such stock at the date of grant, except for options under the incentive stock option plan if the optionee owns more than 10% of the total combined voting power of all classes of the Company's stock, in which case the option price will be not less than 110% of the fair market value of such stock. Options granted under the plans become exercisable immediately and expire ten years after the date of grant, unless the employee owns more than 10% of the total combined voting power of all classes of the Company's stock, in which case they must be exercised within five years of the date of grant.

Shares available for future options as of June 30 were as follows:

	1995	1994
Non-qualified stock option plan	42,550	53,450
Incentive stock option plan	89,150	106,050

Stock option transactions under the plans during 1994 and 1993 were as follows:

	1995	1994
Non-qualified stock option plan:		
Options outstanding at July 1	71,550	50,150
Granted	12,600	21,400
Cancelled	(1,700)	-
Exercised ($17.88-$19.50 per share)	(1,000)	-
Options outstanding at June 30	81,450	71,550
Options price range at June 30	$ 14.00 - 29.63	$ 14.00 - 29.63
Incentive stock option plan:		
Options outstanding at July 1	118,550	101,600
Granted	24,450	20,250
Cancelled	(7,550)	(3,300)
Exercised ($14.00-$19.50 per share)	(3,400)	-
Options outstanding at June 30	132,050	118,550
Options price range at June 30	$ 14.00 - 29.63	$ 14.00 - 29.63

K. ENGINEERING AND DEVELOPMENT COSTS

Engineering and development costs include research and development expenses for new products, development and major improvements to existing products, and other charges for ongoing efforts to refine existing products. Research and development costs charged to operations totalled $2,718,000, $2,649,000 and $2,129,000 in 1995, 1994 and 1993, respectively. Total engineering and development costs were $7,411,000, $6,843,000 and $7,093,000 in 1995, 1994 and 1993, respectively.

L. INCOME TAXES

United States and foreign earnings before income taxes and the cumulative effect of accounting changes were as follows:

(In thousands)	1995	1994	1993
United States	$ 4,332	$ 1,500	$ 1,548
Foreign	4,252	3,467	2,476
	$ 8,584	$ 4,967	$ 4,024

The provision (credit) for income taxes, excluding the cumulative effect of accounting changes, is comprised of the following:

(In thousands)	1995	1994	1993
Currently payable:			
Federal	$ 782	$ (112)	$ 876
State	12	39	15
Foreign	1,007	812	898
	1,801	739	1,789
Deferred:			
Federal	452	(150)	(248)
State	12	-	6
Foreign	647	(11)	(185)
	1,111	(161)	(427)
	$ 2,912	$ 578	$ 1,362

Effective July 1, 1992, the Company adopted the provisions of SFAS 109 and recorded a tax benefit of approximately $1.1 million ($0.38 per share). This is reflected in the consolidated statement of operations as part of the cumulative effect of accounting changes.

The components of the net deferred tax asset as of June 30, were as follows:

(In thousands)	1995	1994
Deferred tax assets:		
Retirement plans	$10,874	$11,924
Inventory	435	772
Marketing program expenses	250	148
Employee benefits	589	614
Research and development expenses	216	513
Accrued liabilities	926	838
Other	92	75
	13,382	14,884
Foreign net operating loss carryfowards	1,823	2,120
Tax credit carryforwards, principally foreign	2,400	2,355
Alternative minimum tax credit carryforwards	979	623
Valuation allowance	(1,430)	(2,453)
	17,154	17,529
Deferred tax liabilities:		
Fixed assets	7,041	6,540
State income taxes, net	423	494
Other	1,706	1,400
	9,170	8,434
Total net deferred tax assets	$ 7,984	$ 9,095

The Company has recorded a valuation allowance to reflect the estimated amount of deferred tax assets which may not be realized due to the expiration of tax credit carryforwards. The change in the valuation allowance for the year ended June 30, is as follows:

(In thousands)	1995	1994
Balance at July 1	$(2,453)	$(4,324)
Increase in non-utilization of net operating loss carryforwards, tax credits and non-recognition of deferred tax asset due to uncertainty of recovery	-	(70)
Utilization of foreign tax loss carryfowards	139	604
Utilization of foreign tax credit carryforwards	884	988
Expired foreign tax credit carryforwards	-	349
Balance at June 30	$(1,430)	$(2,453)

Following is a reconciliation of the applicable U.S. federal income tax rates, excluding the cumulative effect of accounting changes, to the effective tax rates reflected in the statements of operations:

	1995	1994	1993
U.S. federal income tax rate	34.0%	34.0%	34.0%
Increases (reductions) in tax rate resulting from:			
Utilization of net operating loss carryforwards	(1.6)	(12.2)	(2.9)
Foreign tax items	(1.8)	(13.8)	1.6
Employee benefits - foreign	1.8	3.2	3.4
Other, net	1.5	0.4	(2.3)
	33.9%	11.6%	33.8%

At June 30, 1995, net operating loss carryforwards of approximately $4.5 million were available for reduction of future foreign income taxes payable at Twin Disc International, S. A.

Cash paid for income taxes was $2,698,000, $1,636,000 and $1,438,000 in 1995, 1994 and 1993, respectively.

M. RETIREMENT PLANS

The Company has noncontributory, qualified defined benefit pension plans covering substantially all domestic employees and contributory plans covering certain foreign employees. Domestic plan benefits are based on years of service, and for salaried employees on final average compensation. The Company's funding policy for the plans covering domestic employees is to contribute an actuarially determined amount which falls between the minimum and maximum amount that can be contributed for federal income tax purposes. Domestic plan assets consist principally of listed equity and fixed income securities.

In addition, the Company has unfunded, non-qualified retirement plans for certain management employees and directors. Benefits are based on final average compensation and do not vest until such management employee reaches normal retirement with the Company.

Net pension expense for the Company's domestic defined benefit plans consists of the following components:

(In thousands)	1995	1994	1993
Service cost-benefits earned during the year	$ 1,585	$ 1,382	$ 1,561
Interest cost on projected benefit obligation	6,643	6,518	6,388
Actual return on plan assets	(3,835)	(1,882)	(5,486)
Net amortization and deferral	(588)	(2,432)	1,250
Net pension cost	$ 3,805	$ 3,586	$ 3,713

The following table sets forth the Company's domestic defined benefit plans' funded status and the amounts recognized in the Company's balance sheet as of June 30:

(In thousands)	1995	1994
Actuarial present value of benefit obligations at June 30:		
Vested benefit obligation	$ 63,804	$ 63,314
Non-vested benefit obligation	14,622	15,995
Accumulated benefit obligation	78,426	79,309
Effect of projected future compensation levels	4,475	6,037
Projected benefit obligation	82,901	85,346
Plan assets at fair value	(64,110)	(61,706)
Deficiency of plan assets over projected benefit obligation	18,791	23,640
Unrecognized net loss	(2,139)	(3,992)
Unrecognized prior service cost	(9,651)	(10,990)
Unrecognized transitional net liability	(799)	(931)
Adjustment required to recognize additional minimum liability	8,758	10,557
Accrued retirement cost at June 30	$ 14,960	$ 18,284

Assumptions used in accounting for the retirement plans are as follows:

	1995	1994
Discount rate	8.5%	8.0%
Rate of increase in compensation levels	4.5%	5.5%
Expected long-term rate of return on plan assets	9.0%	9.0%

Total accrued retirement costs at June 30 are summarized as follows:

(In thousands)	1995	1994
Current:		
Domestic defined benefit plans	$ 3,907	$ 5,395
Foreign contributory benefit plans	1,092	1,104
	4,999	6,499
Long-term:		
Domestic defined benefit plans	11,053	12,890
	$16,052	$19,389

Retirement plan expense for the Company's foreign plans was $307,000, $246,000, and $352,000 in 1995, 1994 and 1993, respectively. The Company's foreign contributory plans are not subject to the disclosure requirements of SFAS 87.

The Company sponsors defined contribution plans covering substantially all domestic employees. These plans provide for employer contributions based primarily on employee participation. The total expense under the plans was $906,000, $933,000, and $549,000 in 1995, 1994 and 1993, respectively.

In addition to providing pension benefits, the Company provides health care and life insurance benefits for certain domestic retirees. In 1993, the Company executed amendments to the health care insurance plan to require all employees retiring after December 31, 1992, and electing to continue coverage through the Company's group plan, to pay 100% of the premium cost.

Effective July 1, 1992, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106), which requires that postretirement benefits be accrued over the period in which employees provide services to the Company. At July 1, 1992, the cumulative effect of recording these benefits was to decrease 1993 net earnings by $15.5 million or $5.54 per share, which is net of a $9.9 million income tax benefit.

Although the cumulative effect of adopting SFAS 106 unfavorably impacts 1993 net income, adoption has no effect on the Company's cash flows since the Company plans to continue its current practice of paying the cost of postretirement benefits when incurred.

The Company recognized $2,841,000, $2,193,000 and $2,206,000 in non-pension postretirement benefit expense in 1995, 1994 and 1993, respectively which consists primarily of interest cost.

The following table sets forth the status of the postretirement benefit programs (other than pensions) and amounts recognized in the Company's consolidated balance sheet at June 30:

(In thousands)	1995	1994
Accumulated postretirement benefit obligation:		
Retirees	$29,993	$30,952
Fully eligible active plan participants	387	195
Other active participants	393	576
	30,773	31,723
Unamortized net amount resulting from changes in plan experience and actuarial assumptions	(6,222)	(7,463)
Accrued postretirement benefit obligation	$24,551	$24,260

The current portion of the accumulated postretirement benefit obligation of $2,680,000 and $2,841,000 is included in accrued liabilities at June 30, 1995 and 1994, respectively.

The assumed weighted average discount rate used in determining the actuarial present value of the accumulated postretirement benefit obligation was 8% at June 30, 1995 and 1994. The assumed weighted average health care cost trend rate was 11% in fiscal year 1995, decreasing by 1% each year thereafter until it reaches 7% in fiscal year 1999, and remains constant thereafter. A 1% increase in the assumed health care trend would increase the accumulated postretirement benefit obligation by approximately $1.9 million and the interest cost by approximately $162,000.

N. ACQUISITIONS

In May 1993, the Company purchased certain assets, primarily inventory, of Southern Diesel Engine Repair, a former distributor of the Company, for $3,460,000. The acquisition was funded through bank financing.

Effective January 1, 1995, the Company purchased all outstanding stock of Marine Diffusion SRL, an Italian distributor of Twin Disc products and other marine components and assemblies. The purchase price, $172,000, approximated the fair value of assets acquired.

The purchase method of accounting was applied to the above transactions. The results of operations of the acquisitions are included in the accompanying consolidated financial statements since the date of acquisition. Pro forma results of operations are not presented as the amounts do not significantly differ from historical results.

O. RESTRUCTURING COSTS

The Company recorded restructuring costs in 1993 for the streamlining of certain Belgian and domestic manufacturing operations. These costs consist primarily of employee related costs.

P. 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 June 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.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders
Twin Disc, Incorporated
Racine, Wisconsin

We have audited the accompanying consolidated balance sheets of Twin Disc, Incorporated and Subsidiaries as of June 30, 1995 and 1994, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the three years in the period ended June 30, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Twin Disc, Incorporated and Subsidiaries as of June 30, 1995 and 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 1995 in conformity with generally accepted accounting principles.

As discussed in Notes A, L and M to the consolidated financial statements, in 1993 the Company changed its method of accounting for other postretirement benefits and income taxes.

COOPERS & LYBRAND L.L.P.

Milwaukee, Wisconsin
July 28, 1995

FINANCIAL SUMMARY

(In thousands of dollars, except where noted)	1995	1994	1993	1992	1991
Statement of Operations					
Net sales	$164,232	$141,193	$139,403	$136,255	$152,990
Costs and expenses, including marketing, engineering and administrative	154,347	136,244	135,284	134,242	155,395
Earnings (loss) from operations	9,885	4,949	4,119	2,013	(2,405)
Other income (expense)	(1,301)	18	(95)	(162)	(721)
Earnings (loss) before income taxes	8,584	4,967	4,024	1,851	(3,126)
Income taxes (credits)	2,912	578	1,362	810	(711)
Net earnings (loss)	5,672	4,389	2,662	1,041	(2,415)
Overseas operations					
Sales	71,010	56,502	54,403	53,699	64,090
Earnings (loss)	2,480	2,365	1,673	(478)	(1,514)
Balance Sheet					
Assets					
Cash and equivalents	3,741	4,166	2,903	2,987	2,288
Receivables, net	29,247	25,682	25,106	26,026	24,567
Inventories	47,157	41,569	42,562	36,686	40,913
Other current assets	10,345	8,993	6,961	4,521	5,886
Total current assets	90,490	80,410	77,532	70,220	73,654
Investments and other assets	30,463	26,830	21,813	10,554	9,648
Fixed assets less accumulated depreciation	37,348	36,676	37,560	38,724	42,877
Total assets	158,301	143,916	136,905	119,498	126,179
Net assets overseas	32,368	29,580	28,059	30,477	32,063
Liabilities and Shareholders' Equity					
Current liabilities	36,852	32,710	31,252	35,694	38,785
Long-term debt	14,000	11,500	13,000	-	4,309
Deferred liabilities	32,827	34,309	31,244	7,365	8,463
Shareholders' equity	74,622	65,397	61,409	76,439	74,622
Total liabilities and shareholders' equity	158,301	143,916	136,905	119,498	126,179

1993 Net Earnings data and Return percentages reflect operating earnings before the effect of adopting Financial Accounting Standards 106 and 109. The cumulative effect of their adoption was a net loss of $14.44 million or $5.16 per share.

FINANCIAL SUMMARY (CONTINUED)

	1995	1994	1993	1992	1991
(In thousands of dollars, except where noted)					
Comparative Financial Information					
Per share statistics					
Net earnings (loss)	2.03	1.57	.95	.37	(.85)
Dividends	.70	.70	.70	.70	.85
Shareholders' equity	26.75	23.36	21.93	27.10	26.42
Return on equity	7.6%	6.7%	4.3%	1.4%	(3.2)%
Return on assets	3.6%	3.0%	1.9%	.9%	(1.9)%
Return on sales	3.5%	3.1%	1.9%	.8%	(1.6)%
Average shares outstanding	2,790,111	2,799,390	2,799,603	2,820,513	2,824,815
Number of shareholder accounts	996	1,058	1,139	1,214	1,271
Number of employees	1,097	1,099	1,114	1,221	1,483
Additions to plant and equipment	4,290	4,216	4,684	4,390	8,218
Depreciation	4,792	4,670	4,958	5,452	5,568
Net working capital	53,638	47,700	46,280	34,526	34,869

1993 Net Earnings data and Return percentages reflect operating earnings before the effect of adopting Financial Accounting Standards 106 and 109. The cumulative effect of their adoption was a net loss of $14.44 million or $5.16 per share.

DIRECTORS

MICHAEL E. BATTEN
Chaiman, Chief Executive Officer

WILLIAM W. GOESSEL
Retired Chairman and former Chief Executive Officer, Harnischfeger Industries, Incorporated, (Manufacturer of Cranes, Mining Equipment and Papermaking Machines), Milwaukee, Wisconsin

JEROME K. GREEN
Former Group Vice President, The Marmon Group, (A Diversified Manufacturer), Chicago, Illinois

MICHAEL H. JOYCE
President, Chief Operating Officer

JOHN L. MURRAY
Retired Chairman-Chief Executive Officer, Universal Foods Corporation, (Manufacturer and Marketer of Food Ingredients and Specialty Foods), Milwaukee, Wisconsin

JAMES O. PARRISH
Vice President-Finance & Treasurer

PAUL J. POWERS
Chairman, President-Chief Executive Officer, Commercial Intertech Corp., (Manufacturer of Hydraulic Components, Fluid Purification Products, Pre-Engineered Buildings and Stamped Metal Products), Youngstown, Ohio

RICHARD T. SAVAGE
President-Chief Executive Officer, Modine Manufacturing Company, (Manufacturer of Heat Exchange Equipment), Racine, Wisconsin

DAVID L. SWIFT
Chairman, President-Chief Executive Officer, Acme-Cleveland Corporation, (Manufacturer of Diversified Industrial Products), Pepper Pike, Ohio

STUART W. TISDALE
Retired Chairman-Chief Executive Officer, WICOR, Inc. (Parent Company of Wisconsin Gas Company, Sta-Rite Industries, Incorporated and WEXCO of Delaware, Incorproated), Milwaukee, Wisconsin

DAVID R. ZIMMER
President-Chief Executvie Officer, Core Industries, Inc., (Manufacturer of Specialized Products for Electronics, Fluid Controls, Construction and Farm Equipment Markets), Bloomfield Hills, Michigan

OFFICERS

MICHAEL E. BATTEN
Chairman, Chief Executive Officer

MICHAEL H. JOYCE
President, Chief Operating Officer

JAMES O. PARRISH
Vice President-Finance & Treasurer

PHILIPPE PECRIAUX
Vice President-Europe

JAMES MCINDOE
Vice President-International Marketing

LANCE J. MELIK
Vice President-Marketing

MICHAEL J. HABLEWITZ
Vice President-Quality Assurance

FRED H. TIMM
Corporate Controller & Secretary

CORPORATE DATA

ANNUAL MEETING
Corporate Offices, 2:00 PM, October 20, 1995

SHARES TRADED
New York Stock Exchange: Symbol TDI

ANNUAL REPORT ON SECURITIES AND EXCHANGE COMMISSION FORM 10-K
SINGLE COPIES OF THE COMPANY'S 1995 ANNUAL REPORT ON SECURITIES AND EXCHANGE COMMISSION FORM 10-K WILL BE PROVIDED WITHOUT CHARGE TO SHAREHOLDERS AFTER SEPTEMBER 30, 1995, UPON WRITTEN REQUEST DIRECTED TO THE SECRETARY, TWIN DISC, INCORPORATED, 1328 RACINE STREET, RACINE, WISCONSIN 53403.

TRANSFER AGENT & REGISTRAR
Firstar Trust Company, Milwaukee, Wisconsin

INDEPENDENT ACCOUNTANTS
Coopers & Lybrand L.L.P., Milwaukee, Wisconsin

GENERAL COUNSEL
Gibbs, Roper, Loots & Williams, Milwaukee, Wisconsin

CORPORATE OFFICES
Twin Disc, Incorporated, Racine, Wisconsin 53403, Telephone: (414) 638-4100

WHOLLY OWNED SUBSIDIARIES
Twin Disc International S.A., Nivelles, Belgium
Twin Disc Spain, S.A., Madrid, Spain
Twin Disc Italia S.R.L., Viareggio, Italy
Twin Disc (Pacific) Pty. ltd., Brisbane, Queensland, Australia
Twin Disc (Far East) Ltd., Singapore
Twin Disc (South Africa) Pty. Ltd., Johannesburg, South Africa
Mill-Log Equipment Co., Inc., Coburg, Oregon
Southern Diesel Systems Inc., Miami, Florida
TD Electronics, Inc., Loves Park, Illinois

PARTIALLY OWNED AFFILIATES
Niigata Converter Company, Ltd., Kamo, Omiya and Tokyo, Japan
Palmer Johnson Distributors, LLC, Sturgeon Bay, Wisconsin

MANUFACTURING FACILITIES
Racine, Wisconsin; Nivelles, Belgium; Kamo and Omiya Japan

SALES OFFICES

DOMESTIC
Racine, Wisconsin; Coburg, Oregon; Seattle, Washington; Miami, Florida; Jacksonville, Florida

OVERSEAS
Nivelles, Belgium; Brisbane and Perth Australia; Singapore; Johannesburg, South Africa; Madrid, Spain; Viareggio, Italy

AFFILIATES
Tokyo, Japan; Sturgeon Bay, Wisconsin

MANUFACTURING LICENSES
Niigata Converter Company, Ltd., Tokyo, Japan; Transfluid S.R.L., Milan, Italy; Nakamura Jico Co. Ltd., Tokyo, Japan; Hindustan Motors, Ltd., Madras, India

EXHIBIT 21

SUBSIDIARIES OF REGISTRANT

Twin Disc, Incorporated, the registrant (a Wisconsin Corporation) owns 100% of the following subsidiaries:

1. Twin Disc International, S.A. (a Belgian corporation)

2. Twin Disc Spain, S.A. (a Spanish corporation)

3. Twin Disc Italia S.R.L. (an Italian corporation)

4. Twin Disc (Pacific) Pty. Ltd. (an Australian corporation)

5. Twin Disc (Far East) Ltd. (a Delaware corporation operating in Singapore and Hong Kong)

6. Twin Disc (South Africa) Pty. Ltd. (a South African corporation)

7. Mill-Log Equipment Co., Inc. (an Oregon corporation)

8. Southern Diesel Systems Inc. (a Florida corporation)

9. TD Electronics, Inc. (a Wisconsin corporation)

The registrant has no parent nor any other subsidiaries. All of the above subsidiaries are included in the consolidated financial statements.

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation 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) of our reports dated July 28, 1995, on our audits of the consolidated financial statements and financial statement schedule of Twin Disc, Incorporated as of June 30, 1995 and 1994 and for the years ended June 30, 1995, 1994 and 1993, which reports are incorporated in this Annual Report on Form 10-K.

COOPERS & LYBRAND L.L.P.

Milwaukee, Wisconsin
September 15, 1995

EXHIBIT 24

POWER OF ATTORNEY

The undersigned directors of Twin Disc, Incorporated hereby severally constitute Michael E. Batten and James O. Parrish , and each of them singly, true and lawful attorneys with full power to them, and each of them, singly, to sign for us and in our names as directors the Form 10-K Annual Report for the fiscal year ended June 30, 1995 pursant to Section 13 or 15(d) of the Securities Exchange Act of 1934, and generally do all such things in our names and behalf as directors to enable Twin Disc, Incorporated to comply with the provisions of the Securities and Exchange Act of 1934 and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures so they may be signed by our attorneys, or either of them, as set forth below.

WILLIAM W. GOESSEL
- -----------------------------
William W. Goessel, Director

JEROME K. GREEN
- -----------------------------
Jerome K. Green, Director

JOHN L. MURRAY
- -----------------------------
John L. Murray, Director

PAUL J. POWERS July 28, 1995
- -----------------------------
Paul J. Powers, Director

RICHARD T. SAVAGE
- -----------------------------
Richard T. Savage, Director

DAVID L. SWIFT
- -----------------------------
David L. Swift, Director

STUART W. TISDALE
- -----------------------------
Stuart W. Tisdale, Director

DAVID R. ZIMMER
- -----------------------------
David R. Zimmer, Director

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF TWIN DISC, INCORPORATED AND SUBSIDIARIES SET FORTH IN THE ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDED JUNE 30, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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YEAR
JUN-30-1995
JUN-30-1995
3,741
0
29,656
409
47,157
90,490
109,447
72,099
158,301
36,852
14,000
11,653
0
0
62,969
158,301
164,232
164,232
127,886
127,886
0
0
1,281
8,584
2,912
5,672
0
0
0
5,672
2.03
0

EXHIBIT 99(a)

Century Audit Corporation

Certified Public Accountants

NIIGATA CONVERTER COMPANY LIMITED

Accountants' Report

Financial Statements - March 31, 1995

The Board of Directors of
Niigata Converter Company, Ltd

We have examined the balance sheet of Niigata Converter Company Limited as of March 31, 1995 and the related statement of earnings and retained earnings for the year then ended.

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of earnings and retained earnings present fairly the financial position of Niigata Converter Co., Ltd at March 31, 1995 and the results of its operation for the year then ended, in conformity with Commercial Code in Japan applied on a basis consistent with that of the preceding year.

May 11, 1995

Century Audit Corporation

TOYOAKI SUZUKI
Representative Partner

NIIGATA CONVERTER CO., LTD
BALANCE SHEET AS OF MARCH 31, 1995

(In thousands of Yen)

CURRENT ASSETS		
Cash on Hand or in Bank		1,319,798
Notes Receivable		1,575,199
Accounts Receivable-Trade		4,021,485
Marketable securities		50,226
Inventory		2,099,422
Finished Goods	521	
Work in Process	1,215,198	
Materials and Supplies	883, 703	
Prepaid Expenses		54,615
Payment in Advance		3,057
Accrued Income		965
Accounts Receivable		3,395
Suspence Payment		6,550
Reserve for Bad Debts		-64,200
TOTAL CURRENT ASSETS		9,070,516
FIXED ASSETS		
(Tangible Fixed Assets)		4,727,543
Building	2,928,079	
Structures	343,046	
Machinery and Equipment	3,729,877	
Cars and Carriers	81,781	
Tools and Jig Fixtures	3,018,373	
Land	670,598	
Construction on Process	1,778,582	
Less-Accumulated Depreciation	- 7,822,793	
(Intangible Fixed Assets)		8, 689
Telephone and Electric Utilization	8,689	
(Investments)		315, 044
Investment Securities	27,514	
Stock of Subsidiary Company	21,276	
Capital	20	
Long-term Loans	104,251	
Long-term Accounts Receivable	2,371	
Long-term Deposit as Guaranty	34,424	
Other Investments	83,325	
Reserve for Bad Debts	-2,519	
TOTAL FIXED ASSETS		5,051,278
DEFERRED ASSETS		
Experimental and Research Expenses	15,676	
TOTAL DEFERRED ASSETS		15,676
TOTAL		14,137,471

NIIGATA CONVERTER CO., LTD
BALANCE SHEET AS OF MARCH 31, 1995

(In thousands of Yen)

CURRENT LIABILITIES	
Notes Payable	2,129,552
Accounts Payable-Trade	728,911
Short-term Borrowings	3,546,057
Accounts Payable-Other	142,646
Allowances for Corporate Income Taxes	3,362
Allowances for Enterprise Tax	13,942
Unpaid Consumption Taxes	71,325
Accrued Expenses	383,457
Advance received	756
Deposit Received	30,146
Employee's savings deposits	397,670
Reserve for Payment of Bonus	476,091
Reserve for Guarantee for Completed Work	34,000
Other current liabilities	273,422
TOTAL CURRENT LIABILITIES	8,231,342
FIXED LIABILITIES	
Long-term Borrowings	1,684,284
Allowances for Officers' Retirement	235,993
TOTAL FIXED LIABILITIES	1,920,277
TOTAL LIABILITIES	10,151,620
CAPITAL	
Capital	1,000,000
LEGAL RESERVE	
Earned Surplus Reserve	231,368
SURPLUS	
General Reserve	2,670,000
Unappropriated Earned Surplus	84,482
(Current Term Net Profit)	(149,571)
TOTAL SURPLUS	2,754,482
TOTAL CAPITAL	3,985,851
TOTAL	14,137,471

PROFIT AND LOSS STATEMENT FOR THE FISCAL YEAR ENDED MARCH 31, 1995

(In thousands of Yen)

Sales		15,208,501
Cost of Sales	13,111,239	
Selling and Administrative Expenses	1,662,400	14,773,640
Operating Profit		434,861
Interest and Dividends Received	24,344	
Miscellaneous Income	35,670	60,015
Interest Paid and Discount Charges	220,408	
Other Losses	92,896	313,304
Profit before Tax		181,571
Allowances for Corporate Income Taxes		32,000
Current Term Net Profit		149,571
Profit brought forward from the prev. period		17,411
Less-Interim Dividend		-75,000
Less-Earned Surplus Reserve		- 7,500
Unappropriated Earned Surplus		84,482

Agenda No. 1

APPROPRIATION OF UNAPPROPRIATED EARNED SURPLUS (PROPOSAL)

(In thousands of Yen)

UNAPPROPRIATED EARNED SURPLUS	84,482
REVERSAL OF VOLUNTARY EARNED SURPLUS	110,000
TOTAL	194,482
APPROPRIATION	
Earned Surplus Reserve	9,787
Dividend (37.50 yen per share a year)	75,000
Officers' Bonus	22,875
Profit carried forward	86,820

EXHIBIT 99 (b)

Century Audit Corporation

Certified Public Accountants

NIIGATA CONVERTER COMPANY LIMITED

Accountants' Report

Financial Statements - March 31, 1994

The Board of Directors of
Niigata Converter Company, Ltd

We have examined the balance sheet of Niigata Converter Company Limited as of March 31, 1994 and the related statement of earnings and retained earnings for the year then ended.

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of earnings and retained earnings present fairly the financial position of Niigata Converter Co., Ltd at March 31, 1994 and the results of its operation for the year then ended, in conformity with Commercial Code in Japan applied on a basis consistent with that of the preceding year.

June 28, 1994

Century Audit Corporation

TOYOAKI SUZUKI
Representative Partner

NIIGATA CONVERTER CO., LTD
BALANCE SHEET AS OF MARCH 31, 1994

(In thousands of Yen)

CURRENT ASSETS		
Cash on Hand or in Bank		1,355,041
Notes Receivable		2,330,159
Accounts Receivable-Trade		3,591,081
Marketable securities		50,227
Inventory		1,995,247
Finished Goods	4,766	
Work in Process	1,132,873	
Materials and Supplies	857,608	
Prepaid Expenses		35,727
Payment in Advance		3,360
Accrued Income		948
Accounts Receivable		2,701
Suspence Payment		3,386
Reserve for Bad Debts		-68,000
TOTAL CURRENT ASSETS		9,299,877
FIXED ASSETS		
(Tangible Fixed Assets)		2,906,350
Building	2,808,977	
Structures	341,136	
Machinery and Equipment	3,645,118	
Cars and Carriers	87,611	
Tools and Jig Fixtures	2,810,929	
Land	662,446	
Construction on Process	20,775	
Less-Accumulated Depreciation	- 7,470,642	
(Intangible Fixed Assets)		8,698
Telephone and Electric Utilization	8,698	
(Investments)		285,644
Investment Securities	26,661	
Stock of Subsidiary Company	21,276	
Capital	10	
Long-term Loans	119,399	
Reorganization Bond Discount	1,511	
Long-term Deposit as Guaranty	33,428	
Other Investments	83,359	
TOTAL FIXED ASSETS		3,200,692
DEFERRED ASSETS		
Experimental and Research Expenses	26,231	
TOTAL DEFERRED ASSETS		26,231
TOTAL		12,526,800

NIIGATA CONVERTER CO., LTD
BALANCE SHEET AS OF MARCH 31, 1994

(In thousands of Yen)

CURRENT LIABILITIES	
Notes Payable	2,231,354
Accounts Payable-Trade	762,711
Short-term Borrowings	3,305,103
Accrued Expenses	368,268
Advance received	543
Deposit Received	395,264
Reserve for Payment of Bonus	477,127
Allowances for Enterprise Tax	66,085
Allowances for Corporate Income Taxes	175,297
Unpaid Consumption Taxes	70,412
Reserve for Guarantee for Completed Work	34,000
TOTAL CURRENT LIABILITIES	7,886,164
FIXED LIABILITIES	
Long-term Borrowings	216,048
Allowances for Officers' Retirement	413,468
TOTAL FIXED LIABILITIES	629,516
ALLOWANCES	
Special Account Credit Amortization	1,290
TOTAL ALLOWANCES	1,290
TOTAL LIABILITIES	8,516,970
CAPITAL	
Capital	1,000,000
LEGAL RESERVE	
Earned Surplus Reserve	214,014
SURPLUS	
General Reserve	2,650,000
Unappropriated Earned Surplus	145,816
(Current Term Net Profit)	(223,933)
TOTAL SURPLUS	2,795,816
TOTAL CAPITAL	4,009,830
TOTAL	12,526,800

PROFIT AND LOSS STATEMENT FOR THE FISCAL YEAR ENDED MARCH 31, 1994

(In thousands of Yen)

Sales		16,372,882
Cost of Sales	14,028,620	
Selling and Administrative Expenses	1,517,588	15,546,208
Operating Profit		826,674
Interest and Dividends Received	22,303	
Miscellaneous Income	71,931	
Reserve for Bad Debts carried back	67,000	161,234
Interest Paid and Discount Charges	270,004	
Other Losses	141,971	
Reserve for Bad Debts	68,000	479,975
Profit before Tax		507,933
Allowances for Corporate Income Taxes		284,000
Current Term Net Profit		223,933
Profit brought forward from the prev. period		4,383
Less-Interim Dividend		-75,000
Less-Earned Surplus Reserve		- 7,500
Unappropriated Earned Surplus		145,816

Agenda No. 1

APPROPRIATION OF UNAPPROPRIATED EARNED SURPLUS (PROPOSAL)

(In thousands of Yen)

UNAPPROPRIATED EARNED SURPLUS	145,816
APPROPRIATION	
Earned Surplus Reserve	9,855
Dividend (37.50 yen per share a year)	75,000
Officers' Bonus	23,550
General Reserve	20,000
Profit carried forward	17,411

EXHIBIT 99(c)

Century Audit Corporation

Certified Public Accountants

NIIGATA CONVERTER COMPANY LIMITED

Accountants' Report

Financial Statements - March 31, 1993

The Board of Directors of
Niigata Converter Company, Ltd

We have examined the balance sheet of Niigata Converter Company Limited as of March 31, 1993 and the related statement of earnings and retained earnings for the year then ended.

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of earnings and retained earnings present fairly the financial position of Niigata Converter Co., Ltd at March 31, 1993 and the results of its operation for the year then ended, in conformity with Commercial Code in Japan applied on a basis consistent with that of the preceding year.

June 22,1993

Century Audit Corporation

TOYOAKI SUZUKI
Representative Partner

NIIGATA CONVERTER CO., LTD
BALANCE SHEET AS OF MARCH 31, 1993

(In thousands of Yen)

CURRENT ASSETS		
Cash on Hand or in Bank		1,334,056
Notes Receivable		1,765,177
Accounts Receivable-Trade		3,994,660
Marketable securities		50,227
Inventory		2,256,224
Finished Goods	21,034	
Work in Process	1,301,224	
Materials and Supplies	933,966	
Prepaid Expenses		54,192
Payment in Advance		8,019
Accrued Income		1,769
Accounts Receivable		4,548
Suspence Payment		2,680
Reserve for Bad Debts		-67,000
TOTAL CURRENT ASSETS		9,404,552
FIXED ASSETS		
(Tangible Fixed Assets)		2,944,877
Building	2,793,388	
Structures	338,621	
Machinery and Equipment	3,672,802	
Cars and Carriers	84,131	
Tools and Jig Fixtures	2,575,786	
Land	662,446	
Construction on Process	6,365	
Less-Accumulated Depreciation	- 7,188,662	
(Intangible Fixed Assets)		8,859
Telephone and Electric Utilization	8,859	
(Investments)		314,051
Investment Securities	25,813	
Stock of Subsidiary Company	21,276	
Capital	10	
Long-term Loans	145,136	
Reorganization Bond Discount	2,650	
Long-term Deposit as Guaranty	36,707	
Other Investments	82,459	
TOTAL FIXED ASSETS		3,267,787
DEFERRED ASSETS		
Experimental and Research Expenses	15,140	
TOTAL DEFERRED ASSETS		15,140
TOTAL		12,687,479

NIIGATA CONVERTER CO., LTD
BALANCE SHEET AS OF MARCH 31, 1993

(In thousands of Yen)

CURRENT LIABILITIES	
Notes Payable	2,329,694
Accounts Payable-Trade	854,044
Short-term Borrowings	3,663,135
Accrued Expenses	361,864
Advance received	1,356
Deposit Received	358,660
Reserve for Payment of Bonus	465,282
Allowances for Enterprise Tax	51,647
Allowances for Corporate Income Taxes	107,885
Unpaid Consumption Taxes	84,277
Reserve for Guarantee for Completed Work	34,000
TOTAL CURRENT LIABILITIES	8,311,844
FIXED LIABILITIES	
Long-term Borrowings	53,111
Allowances for Officers' Retirement	358,792
TOTAL FIXED LIABILITIES	411,903
ALLOWANCES	
Special Account Credit Amortization	2,650
TOTAL ALLOWANCES	2,650
TOTAL LIABILITIES	8,726,397
CAPITAL	
Capital	1,000,000
LEGAL RESERVE	
Earned Surplus Reserve	196,495
SURPLUS	
General Reserve	2,650,000
Unappropriated Earned Surplus	114,587
(Current Term Net Profit)	(130,434)
TOTAL SURPLUS	2,764,587
TOTAL CAPITAL	3,961,082
TOTAL	12,687,479

PROFIT AND LOSS STATEMENT FOR THE FISCAL YEAR ENDED MARCH 31, 1993

(In thousands of Yen)

Sales		16,076,089
Cost of Sales	14,016,029	
Selling and Administrative Expenses	1,392,211	15,408,240
Operating Profit		667,849
Interest and Dividends Received	29,373	
Miscellaneous Income	72,972	
Reserve for Bad Debts carried back	71,000	173,345
Interest Paid and Discount Charges	379,133	
Other Losses	89,627	
Reserve for Bad Debts	67,000	535,760
Profit before Tax		305,434
Allowances for Corporate Income Taxes		175,000
Current Term Net Profit		130,434
Profit brought forward from the prev. period		66,653
Less-Interim Dividend		-75,000
Less-Earned Surplus Reserve		- 7,500
Unappropriated Earned Surplus		114,587

Agenda No. 1

APPROPRIATION OF NET PROFIT (DRAFT)

	(In thousands of Yen)
UNAPPROPRIATED EARNED SURPLUS	114,587
APPROPRIATED PROFIT	
Earned Surplus Reserve	10,019
Dividend (15% per share a year)	75,000
Officers' Bonus	25,185
Profit carried forward	4,383

EXHIBIT 99(d)

Century Audit Corporation

Certified Public Accountants

NIIGATA CONVERTER COMPANY LIMITED

Accountants' Report

Financial Statements - March 31, 1992

The Board of Directors of
Niigata Converter Company, Ltd

We have examined the balance sheet of Niigata Converter Company Limited as of March 31, 1992 and the related statement of earnings and retained earnings for the year then ended.

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of earnings and retained earnings present fairly the financial position of Niigata Converter Co., Ltd at March 31, 1992 and the results of its operation for the year then ended, in conformity with Commercial Code in Japan applied on a basis consistent with that of the preceding year.

June 22,1992

Century Audit Corporation

TOYOAKI SUZUKI
Representative Partner

NIIGATA CONVERTER CO., LTD
BALANCE SHEET AS OF MARCH 31, 1992

(In thousands of Yen)

CURRENT ASSETS		
Cash on Hand or in Bank		1,549,849
Notes Receivable		1,912,984
Accounts Receivable -Trade		3,538,768
Marketable securities		50,227
Inventory		2,773,123
Finished Goods	18,108	
Work in Process	1,667,720	
Materials and Supplies	1,087,295	
Prepaid Expenses		75,685
Payment in Advance		7,029
Accrued Income		2,652
Accounts Receivable		47,748
Suspence Payment		2,750
Reserve for Bad Debts		-71,000
TOTAL CURRENT ASSETS		9,889,815
FIXED ASSETS		
(Tangible Fixed Assets)		3,055,084
Building	2,775,366	
Structures	334,710	
Machinery and Equipment	3,630,161	
Cars and Carriers	83,746	
Tools and Jig Fixtures	2,437,858	
Land	662,446	
Construction on Process	14,459	
Less-Accumulated Depreciation	- 6,883,662	
(Intangible Fixed Assets)		8,792
Telephone and Electric Utilization	8,792	
(Investments)		255,521
Investment Securities	27,968	
Stock of Subsidiary Company	21,276	
Capital	10	
Long-term Loans	97,464	
Reorganization Bond Discount	4,309	
Long-term Deposit as Guaranty	41,100	
Other Investments	63,394	
TOTAL FIXED ASSETS		3,319,397
DEFERRED ASSETS		
Experimental and Research Expenses	16,680	
TOTAL DEFERRED ASSETS		16,680
TOTAL		13,225,892

NIIGATA CONVERTER CO., LTD
BALANCE SHEET AS OF MARCH 31, 1992

(In thousands of Yen)

CURRENT LIABILITIES	
Notes Payable	2,650,124
Accounts Payable-Trade	866,961
Short-term Borrowings	3,733,543
Accrued Expenses	396,972
Advance received	19,425
Deposit Received	342,223
Reserve for Payment of Bonus	455,835
Allowances for Enterprise Tax	54,839
Allowances for Corporate Income Taxes	132,381
Unpaid Consumption Taxes	104,033
Reserve for Guarantee for Completed Work	34,000
TOTAL CURRENT LIABILITIES	8,790,336
FIXED LIABILITIES	
Long-term Borrowings	124,958
Allowances for Officers' Retirement	303,666
TOTAL FIXED LIABILITIES	428,624
ALLOWANCES	
Special Account Credit Amortization	2,834
TOTAL ALLOWANCES	2,834
TOTAL LIABILITIES	9,221,794
CAPITAL	
Capital	1,000,000
LEGAL RESERVE	
Earned Surplus Reserve	179,150
SURPLUS	
General Reserve	2,600,000
Unappropriated Earned Surplus	224,948
(Current Term Net Profit)	(182,200)
TOTAL SURPLUS	2,824,948
TOTAL CAPITAL	4,004,098
TOTAL	13,225,892

PROFIT AND LOSS STATEMENT FOR THE FISCAL YEAR ENDED MARCH 31, 1992

(In thousands of Yen)

Sales		17,072,712
Cost of Sales	14,762,885	
Selling and Administrative Expenses	1,395,132	16,158,017
Operating Profit		914,695
Interest and Dividends Received	44,833	
Miscellaneous Income	36,631	
Reserve for Bad Debts carried back	76,000	157,464
Interest Paid and Discount Charges	562,735	
Other Losses	109,224	
Reserve for Bad Debts	71,000	742,959
Profit before Tax		329,200
Allowances for Corporate Income Taxes		147,000
Current Term Net Profit		182,200
Profit brought forward from the prev. period		125,248
Less-Interim Dividend		-75,000
Less-Earned Surplus Reserve		- 7,500
Unappropriated Earned Surplus		224,948

Agenda No. 1

APPROPRIATION OF NET PROFIT (DRAFT)

	(In thousands of Yen)
UNAPPROPRIATED EARNED SURPLUS	224,948
APPROPRIATED PROFIT	
Earned Surplus Reserve	9,845
Dividend (15% per share a year)	75,000
Officers' Bonus	23,450
Other Reserve	50,000
Profit carried forward	66,653