SECURITIES AND EXCHANGE COMMISSION
WASHINGTON
Form 10 Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended December 31, 1997 Commission File Number
1-7635

TWIN DISC, INCORPORATED

(Exact name of registrant as specified in its charter)

Wisconsin	39-0667110
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
1328 Racine Street, Racine, Wisconsin	53403
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (414) 638-4000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No .

At December 31, 1997, the registrant had 2,833,534 shares of its common stock outstanding.

FINANCIAL STATEMENTS

TWIN DISC, INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	December 31 1997	June 30 1997
Assets		
Current assets:		
Cash and cash equivalents	$ 13,706	$ 8,983
Trade accounts receivable, net	31,577	32,428
Inventories	47,409	47,844
Deferred income taxes	3,491	3,491
Other	3,518	5,216
Total current assets	99,701	97,962
Property, plant and equipment, net	34,954	34,249
Investments in affiliates	10,996	10,880
Deferred income taxes	4,585	4,559
Intangible pension asset	4,779	4,779
Other assets	8,140	6,326
	$163,155	$158,755
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	$ 179	$ 169
Accounts payable	13,493	12,834
Accrued liabilities	18,354	16,618
Total current liabilities	32,026	29,621
Long-term debt	19,940	19,944
Accrued retirement benefits	35,469	35,393
	87,435	84,958
Shareholders' Equity:		
Common stock	11,653	11,653
Retained earnings	79,847	77,424
Foreign currency translation adjustment	4,737	6,060
Minimum pension liability adjustment	(3,708)	(3,708)
	92,529	91,429
Less treasury stock, at cost	16,809	17,632
Total shareholders' equity	75,720	73,797
	$163,155	$158,755

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

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

	Three Months Ended December 31		Six Months Ended December 31	
	1997	1996	1997	1996
Net sales	$53,994	$45,496	$101,874	$86,437
Cost of goods sold	41,744	34,516	79,688	66,770
	12,250	10,980	22,186	19,667
Marketing, engineering and administrative expenses	8,797	7,674	16,227	14,734
Interest expense	383	495	759	975
Other (income) and expense, net	(497)	(104)	(609)	(1,084)
	8,683	8,065	16,377	14,625
Earnings before income tax	3,567	2,915	5,809	5,042
Income taxes	1,451	1,173	2,337	2,168
Net earnings	$ 2,116	$ 1,742	$ 3,472	$ 2,874
Dividends per share	$ .190	$ .175	$ .380	$ .350
Earnings per share data:				
Basic earnings per share	$ .75	$ .63	$ 1.23	$ 1.04
Diluted earnings per share	$ .73	$ .62	$ 1.21	$ 1.03
Shares outstanding data:				
Average shares outstanding	2,834	2,779	2,822	2,778
Dilutive stock options	65	21	57	23
Fully diluted shares	2,899	2,800	2,879	2,801
Translation component of equity				
Balance - beginning of the period	$ 5,806	$ 9,810	$ 6,060	$ 9,706
Translation adjustment	(1,069)	(248)	(1,323)	(144)
Balance - end of the period	$ 4,737	$9,562	$ 4,737	$ 9,562

Amounts in thousands except per share data. Per share figures are based on shares outstanding data.
The notes to consolidated financial statements are an integral part of this statement.

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

	Six Months Ended December 31 1997	1996
Cash flows from operating activities:		
Net earnings	$ 3,472	$ 2,874
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	2,608	2,602
Gain on sale of fixed assets	(364)	(237)
Equity in earnings of affiliates	(461)	363
Dividends received from affiliate	270	100
Net change in working capital, excluding cash and debt	3,575	2,511
	9,100	8,213
Cash flows from investing activities:		
Acquisitions of fixed assets	(3,355)	(2,354)
Proceeds from sale of fixed assets	426	431
Business acquisition	(1,021)	-
	(3,950)	(1,923)
Cash flows from financing activities:		
Increase (decrease) in notes payable, net	15	(1,046)
Treasury stock activity	850	59
Dividends paid	(1,076)	(972)
	(211)	(1,959)
Effect of exchange rate changes on cash	(216)	(28)
Net change in cash and cash equivalents	4,723	4,303
Cash and cash equivalents:		
Beginning of period	8,983	2,043
End of period	$13,706	$ 6,346

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

A. Basis of Presentation

The unaudited financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and, in the opinion of the Company, include all adjustments, consisting only of normal recurring items, necessary for a fair statement of results for each period. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such SEC rules and regulations. The Company believes that the disclosures made are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with financial statements and the notes thereto included in the Company's latest Annual Report. The year end condensed balance sheet data was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles.

B. Inventory

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

	December 31 1997	June 30 1997
Inventories:		
Finished parts	$39,605	$38,713
Work in process	4,556	5,997
Raw materials	3,248	3,134
	$47,409	$47,844

C. Contingencies

The Company is involved in various stages of investigation relative to hazardous waste sites, two of which are on the United States EPA National Priorities List (Superfund sites). The Company's assigned responsibility at each of the Superfund sites is less than 2%. The Company has also been requested to provide administrative information related to two other potential Superfund sites but has not yet been identified as a potentially responsible party. Additionally, the Company is subject to certain product liability matters.

At December 31, 1997 the Company has accrued approximately $1,350,000, 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.

D. Earnings Per Share

During the second quarter, the Company adopted Statement of Financial Accounting Standards (FAS) 128 "Earnings Per Share", which establishes new standards for reporting earnings per share. The earnings per share computations for prior periods have been restated to conform with the provisions of FAS 128.

MANAGEMENT DISCUSSION AND ANALYSIS

Net sales were up 19 percent for the quarter and 18 percent for the six months compared to the same periods last year. The improvement was widespread with increases at most operations. The greatest dollar increase was at our domestic manufacturing operation with higher shipments of power shift transmissions for specialty trucks and agricultural tractors and greater sales of power take-offs for irrigation being the principal components. Shipments of marine transmissions for pleasure craft applications and torque converters used in construction equipment provided most of the increase reported by our Belgian subsidiary for the quarter.

With the exception of our marketing subsidiary in Singapore which has been adversely impacted by the Asian economic crisis, shipments from our distribution operations around the world were up nicely. The most significant gains were in the U.S. and Europe. However, the weakening of local currencies overseas against the dollar has put pressure on margins and earnings from the distribution operations generally are down from a year ago.

The consolidated gross margin percentage improved from the seasonally low first quarter but was down slightly from the strong quarter reported last year. Most of the decline was at our domestic manufacturing operation and, as mentioned previously, the overseas distribution subsidiaries. Domestic manufacturing productivity has not declined, but cost of sales as a percent of sales increased due to a shift in product mix and lower production activity related to our inventory reduction. There was a slight improvement in manufacturing margins overseas.

Marketing, engineering, and administrative expenses for the quarter and year-to-date were down as a percent of sales, but absolute expense increased. For the quarter, the major components of the 15 percent increase were one-time acquisition costs and on-going operating expenses of our new subsidiary in Western Canada and a provision for bad debts made at one of our marketing subsidiaries. Interest expense was down from a year ago as domestic short-term debt was repaid during the second half of last fiscal year.

Working capital has fluctuated within a narrow range for the past year and ended the quarter at $67.7 million, essentially unchanged from the prior period. The current ratio, at 3.1 and still high by historical standards, was slightly lower than the prior year-end. Accounts receivable collections and inventory turnover, representing the two primary components of working capital, both improved during the quarter. The receivable balance was stable on a significantly higher sales volume, and inventory dropped to its lowest level in years, about $3 million below the previous quarter. Cash flows from operating activities for the six months have exceeded those required for investing and financing activities and have provided an increase in the cash balance. Our balance sheet remains strong, and we continue to have liquidity sufficient for our near-term needs.

OTHER INFORMATION

There were no reports on Form 8-K during the three months ended December 31, 1997. The financial statements included herein have been subjected to a limited review by Coopers & Lybrand L.L.P., the registrant's independent public auditors, in accordance with professional standards and procedures for such review.

There were no securities of the Company sold by the Company during the three months ended December 31, 1997 which were not registered under the Securities Act of 1933, in reliance upon an exemption from registration provided by Section 4 (2) of the Act.

At the Annual Meeting of Shareholders held October 17, 1997, the number of votes cast for, against or abstentions with respect to each matter were as follows:

1. Election of Directors:

   a) To serve until Annual Meeting in 2000:

Michael H. Joyce	For: 2,506,310	Authority withheld: 5,184
Richard T. Savage	For: 2,506,739	Authority withheld: 4,755
George E. Wardeberg	For: 2,506,871	Authority withheld: 4,623

2. Election of the firm of Coopers & Lybrand L.L.P. as independent public auditors to examine the accounts for the fiscal year of 1998:

For: 2,500,375	Against: 3,690	Abstain: 7,429

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TWIN DISC, INCORPORATED
(Registrant)

February 9, 1998	/S/ FRED H. TIMM
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(Date)	Fred H. Timm Corporate Controller and Secretary

Report of Independent Accountants

Board of Directors
Twin Disc, Incorporated
Racine, Wisconsin

We have reviewed the accompanying condensed consolidated balance sheet of Twin Disc, Incorporated and subsidiaries as of December 31, 1997, and the related condensed consolidated statements of operations and cash flows for the three and six-month periods ended December 31, 1997 and 1996. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical review procedures to financial data, and making inquiries of persons responsible for financial accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of June 30, 1997, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated July 18, 1997, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of June 30, 1997, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/
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Coopers & Lybrand

Milwaukee, Wisconsin
January 8, 1997

[TYPE]   EX-15

EXHIBIT 15

Awareness Letter of Independent Accountants

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

RE: Twin Disc, Incorporated

We are aware that our report dated January 8, 1997 on our review of interim financial information of Twin Disc, Incorporated for the three and six-month periods ended December 31, 1997 and 1996 and included in the Company's quarterly report on Form 10-Q for the quarter then ended, is incorporated by reference in the registration statements of Twin Disc, Incorporated on Form S-8 (Twin Disc, Incorporated 1988 Incentive Stock Option Plan and Twin Disc, Incorporated 1988 Non-Qualified Stock Option Plan for Officers, Key Employees and Directors). Pursuant to Rule 436(c) under the Securities Act of 1933, this report should not be considered a part of the registration statement prepared or certified by us within the meaning of Sections 7 and 11 of that Act.

/S/
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Coopers & Lybrand

Milwaukee, Wisconsin
January 23, 1998

5

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED
FROM THE TWIN DISC,
INCORPORATED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS SET
FORTH IN THE SECOND QUARTER
REPORT TO SHAREHOLDERS FOR THE SIX MONTHS ENDED DECEMBER, 1997 AND
IS QUALIFIED IN ITS
ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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JUN-30-1997
DEC-31-1997
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32,251
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