SECURITIES AND EXCHANGE COMMISSION
WASHINGTON
Form 10-Q

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

For the quarter ended September 30, 1999 Commission File Number 1-7635

TWIN DISC, INCORPORATED

(Exact name of registrant as specified in its charter)

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

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

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

At September 30, 1999, the registrant had 2,835,334 shares of its common stock outstanding.

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30 1999	June 30 1999
Assets		
Current assets:		
Cash and cash equivalents	$ 5,654	$ 4,136
Trade accounts receivable, net	24,940	27,201
Inventories	56,346	54,500
Deferred income taxes	6,004	6,004
Other	7,270	5,906
Total current assets	100,214	97,747
Property, plant and equipment, net	37,920	38,935
Investments in affiliates	6,681	6,663
Deferred income taxes	4,449	4,349
Intangible pension asset	3,385	3,385
Other assets	24,994	25,821
	$177,643	$176,900
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	$ 9,182	$ 23,015
Accounts payable	11,101	10,724
Accrued liabilities	21,127	21,022
Total current liabilities	41,410	54,761
Long-term debt	35,114	17,112
Accrued retirement benefits	35,062	37,567
	111,586	109,440
Shareholders' Equity:		
Common stock	11,653	11,653
Retained earnings	80,036	81,430
Accumulated other comprehensive (loss) income	(8,528)	(8,516)
	83,161	84,567
Less treasury stock, at cost	17,104	17,107
Total shareholders' equity	66,057	67,460
	$177,643	$176,900

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

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30 1999	Three Months Ended September 30 1998
Net sales	$35,277	$40,625
Cost of goods sold	28,421	31,405
	6,856	9,220
Marketing, engineering and administrative expenses	7,745	7,851
Interest expense	656	377
Other income, net	(101)	(117)
	8,300	8,111
Earnings (loss) before income taxes	(1,444)	1,109
Income taxes	(547)	521
Net earnings (loss)	($ 897)	$ 588
Dividends per share	$ 0.175	$ 0.21
Earnings per share data:		
Basic earnings (loss) per share	($ 0.32)	$ 0.21
Diluted earnings (loss)per share	($ 0.32)	$ 0.21
Shares outstanding data:		
Average shares outstanding	2,835	2,834
Dilutive stock options	2	28
Diluted shares outstanding	2,837	2,862
Comprehensive income:		
Net earnings (loss)	($ 897)	$ 588
Other comprehensive income:		
Foreign currency translation adjustment	(12)	193
Comprehensive income (loss)	($ 909)	$ 781

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended September 30 1999	Three Months Ended September 30 1998
Cash flows from operating activities:		
Net earnings (loss)	($ 897)	$ 588
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	1,729	1,368
Equity in earnings of affiliates	(143)	(52)
Dividends received from affiliate	125	250
Net change in working capital, excluding cash and debt, and other	(2,313)	(2,268)
	(1,499)	(114)
Cash flows from investing activities:		
Acquisitions of fixed assets	(427)	(1,434)
	(427)	(1,434)
Cash flows from financing activities:		
Increase in notes payable, net	3,933	500
Treasury stock activity	2	38
Dividends paid	(497)	(595)
	3,438	(57)
Effect of exchange rate changes on cash	6	(32)
Net change in cash and cash equivalents	1,518	(1,637)
Cash and cash equivalents:		
Beginning of period	4,136	5,087
End of period	$5,654	$3,450

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

A. Basis of Presentation

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

B. Inventory

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

	September 30 1999	June 30 1999
Inventories:		
Finished parts	$45,461	$42,405
Work in process	5,874	6,385
Raw materials	5,011	5,710
	$56,346	$54,500

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 in the normal course of business.

At September 30, 1999 the Company has accrued approximately $1,050,000, which represents management's best estimate available for possible losses related to these contingencies. This amount has been provided over the past several years. Based on the information available, the Company does not expect that any unrecorded liability related to these matters would materially affect the consolidated financial position, results of operations or cash flows.

D. BUSINESS SEGMENTS

Information about the Company's segments is summarized as follows (in thousands):

	September 30, 1999	September 30, 1998
Manufacturing segment sales	$ 31,219	$ 38,203
Distribution segment sales	10,539	10,140
Inter/Intra segment sales	(6,481)	(7,718)
Net sales	$ 35,277	$ 40,625
Manufacturing segment earnings (loss)	$ (1,788)	$ 1,238
Distribution segment earnings (loss)	546	513
Inter/Intra segment earnings (loss)	(202)	(642)
Pretax earnings (loss)	$ (1,444)	$ 1,109

Assets	September 30, 1999	June 30, 1999
Manufacturing segment assets	$150,966	$152,251
Distribution segment assets	25,125	25,448
Corporate assets and elimination of inter-company assets	1,552	(799)
	$177,643	$176,900

Shipments for the quarter were down due to the normal seasonal reduction in demand. In addition, continuing softness in many of our markets caused sales to decline 13 percent from the first quarter last year. Partially offsetting the softness were the current year sales from the new businesses acquired during fiscal year 1999. The impact of the sales decline on earnings was more dramatic with a net loss in the current quarter compared with net earnings last year.

The significant components of the decline were sales from our principal manufacturing subsidiaries as most other operations reported modest improvements from a year ago. Reduced shipments of transmissions for military applications and torque converters for construction equipment were major elements of the decline in domestic sales. Also, aftermarket part sales were down from a year ago as demand continued to be soft. At our Belgian operation, despite a recent improvement in order rates, shipments of marine transmissions and torque converters were off for the quarter. Also, the implementation of new enterprisewide business systems during the quarter temporarily limited our ability to ship service parts from that facility. The installation has been completed and no further adverse impact is anticipated.

The consolidated gross margin declined about three percentage points from the year-ago quarter. The lack of profitability resulted principally from lower sales volume, but was magnified by the shortfall in higher-margin after-market service parts. The causes of the decline in marginal income were shared equally by both domestic and Belgian manufacturing operations. Marketing, engineering, and administrative expenses for the current period were slightly lower than a year ago but were higher than expected due to one-time costs associated with the systems implementation in Europe.

Debt-restructuring arrangements were completed during the quarter with a resulting sharp increase in working capital and current ratio. However, both measures are below a year ago mainly due to the remaining short-term debt incurred in making acquisitions in the middle of last fiscal year. The volume-related decline in accounts receivable offset an order-driven increase in domestic inventory, and the positive cash flow from depreciation covered equipment purchases and dividends. Increased bank borrowing is attributable to the higher required pension plan contributions and operating losses. Despite the increased leverage from a year ago, the Company's balance sheet remains solid; and existing financing arrangements continue to provide liquidity sufficient for near-term needs.

Year 2000 Readiness

The Company has assessed the potential impact of the Year 2000 (Y2K) date change on its business systems and operations. New information systems, which are prepared to handle the century date change, have been installed at all operations. Substantial testing of these systems has occurred and will continue prior to December 31, 1999. Network systems and other building, service, and manufacturing equipment throughout the Company and its subsidiaries have been inventoried, assessed, modified as necessary or replaced, and are capable of handling the date change. In addition, suppliers and service providers have been contacted to ensure they are actively involved in programs to address the Year 2000 issue and provide uninterrupted service to Twin Disc. Although the Company cannot assure Y2K compliance by its key suppliers and distributors, no major part or critical operation of the Company relies on a single source for raw materials, supplies, or services, and the Company has multiple distribution channels for its products. Should the Company discover that a supplier or distributor will not be Y2K compliant, the Company believes it will be able to find cost-competitive alternative sources and continue its production and distribution.

It is estimated that approximately $5.7 million has been spent on hardware, software, consulting services and staff time during the past four years to become Y2K compliant. Substantially all of the costs have been incurred at this time. The work has been completed in the normal course of operations and has not delayed other projects critical to the financial strength or operating results of the Company.

The Company believes the Y2K issue will not pose significant operational problems. However, if all Y2K issues are not properly identified, or assessment, remediation, and testing are not completed for Y2K problems that are identified, there can be no assurance that the Y2K issue will not have a material adverse effect on the Company's relationships with its customers, suppliers, distributors and others. In addition, there can be no assurance that the Y2K issues of other entities will not have a material adverse impact on the Company's systems or results of operations.

OTHER INFORMATION

Item 1. Legal Proceedings.

There were no reports on Form 8-K during the three months ended September 30, 1999. The financial statements included herein have been subjected to a limited review by PricewaterhouseCoopers LLP, the registrant's independent public accountants, in accordance with professional standards and procedures for such review.

Item 2. Changes in Securities and Use of Proceeds.

There were no securities of the Company sold by the Company during the three months ended September 30, 1999 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.

Item 5. Other Information.

The discussions in this report on Form 10-Q and in the documents incorporated herein by reference, and oral presentations made by or on behalf of the Company contain or may contain various forward-looking statements (particularly those referring to the expectations as to possible strategic alternatives, future business and/or operations, in the future tense, or using terms such as "believe", "anticipate", "expect" or "intend") that involve risks and uncertainties. The Company's actual future results could differ materially from those discussed, due to the factors which are noted in connection with the statements and other factors. The factors that could cause or contribute to such differences include, but are not limited to, those further described in the "Management's Discussion and Analysis".

SIGNATURE

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

TWIN DISC, INCORPORATED
(Registrant)

/S/ FRED H. TIMM

(Date)

Fred H. Timm
Corporate Controller and
Secretary

Report of Independent Accountants

To the Board of Directors
Twin Disc, Incorporated
Racine, Wisconsin

We have reviewed the accompanying condensed consolidated balance sheet of Twin Disc, Incorporated and subsidiaries as of September 30, 1999, and the related condensed consolidated statements of operations and cash flows for the three-month periods ended September 30, 1999 and 1998. 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, 1999, and the related consolidated statements of operations, changes in shareholders' equity and comprehensive income, and cash flows for the year then ended (not presented herein); and in our report dated July 23, 1999, 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, 1999, 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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PricewaterhouseCoopers LLP

Milwaukee, Wisconsin
October 8, 1999

[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 October 8, 1999 on our review of interim financial information of Twin Disc, Incorporated for the three-month periods ended September 30, 1999 and 1998 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; Twin Disc, Incorporated 1988 Non-Qualified Stock Option Plan for Officers, Key Employees and Directors; Twin Disc, Incorporated 1998 Incentive Compensation Plan; and Twin Disc, Incorporated 1998 Stock Option Plan for Non-Employee Directors).

/S/
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PricewaterhouseCoopers LLP

Milwaukee, Wisconsin
November 5, 1999

5

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED
FROM THE TWIN DISC, INCORPORATED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
SET FORTH IN THE THIRD QUARTER REPORT TO SHAREHOLDERS FOR THE NINE
MONTHS
ENDED SEPTEMBER 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE
TO SUCH
FINANCIAL STATEMENTS.

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JUN-30-1999
SEP-30-1999
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