

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported) April 25, 2006  
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Twin Disc, Incorporated  
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(exact name of registrant as specified in its charter)

WISCONSIN  
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39-0667110  
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(State or other jurisdiction of (IRS Employer Identification No.)  
incorporation or organization)

1328 Racine Street Racine, Wisconsin 53403  
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(Address of principal executive offices)

Registrant's telephone number, including area code: (262)638-4000  
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Item 7 Financial Statements and Exhibits  
(c) Exhibits  
Exhibit 99.1 Press Release dated April 25, 2006  
Item 9 Regulation FD Disclosure and  
Item 12 Results of Operation and Financial Condition

Twin Disc, Inc. has reported its 3<sup>rd</sup> quarter financial results. The Company's press release dated April 25, 2006 announcing the results is attached hereto as Exhibit 99.1 and is incorporated herein in its entirety by reference.

The information in this Current Report is being furnished pursuant to Items 9 and 12 of Form 8-K and shall not be deemed "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934, as amended, and Section 11 of the Securities Act of 1933, as amended, or otherwise subject to the liabilities of those sections. The Current Report will not be deemed an admission by the Company as to the materiality of any information in this report that is required to be disclosed solely by Items 9 or 12. The Company does not undertake a duty to update the information in this Current Report and cautions that the information included in this Current Report is current only as of April 25, 2006, and may change thereafter.

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SIGNATURE

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 hereunto duly authorized.

April 25, 2006 Twin Disc, Inc.  
/s/ Christopher J. Eperjesy  
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Vice President - Chief Financial Officer  
and Secretary

# FOR IMMEDIATE RELEASE

Contact: Christopher J. Eperjesy  
(262) 638-4343

## TWIN DISC, INC., ANNOUNCES RECORD FINANCIAL RESULTS FOR FISCAL 2006 THIRD QUARTER AND NINE MONTHS

*· Net Earnings Up 141.9 percent*

*· Best ever quarterly sales and gross margin percent · Backlog up 34.9 percent · Outlook for remainder of fiscal 2006 - excellent*

RACINE, WISCONSIN—April 25, 2006—Twin Disc, Inc. (NASDAQ: TWIN), today reported financial results for the fiscal 2006 third quarter and nine months ended March 31, 2006. Net income and diluted earnings per share for the fiscal 2006 third quarter were the highest ever, excluding fiscal 2001 third quarter's sale of an affiliate.

Net earnings for the third quarter increased 141.9 percent, or \$2,240,000, to \$3,819,000, or \$0.64 per diluted share, compared with \$1,579,000, or \$0.27 per diluted share, for the fiscal 2005 third quarter. For the fiscal 2006 nine months, net earnings increased 133.4 percent to \$8,793,000, or \$1.49 per diluted share, compared with \$3,768,000, or \$0.65 per diluted share, in the fiscal 2005 nine months. Earnings per diluted share reflect a two-for-one stock split of the Company's common stock that occurred April 3, 2006.

Gross margin as a percentage of sales increased 5.0 percentage points to 31.0 percent from 26.0 percent in last year's comparable period. For the fiscal 2006 nine months, gross margin as a percentage of sales increased 3.8 percentage points to 29.5 percent from 25.7 percent in the same period last year. Quarterly gross margins have increased year-over-year for the past four quarters, as a continued result of a shift in product mix to higher margin items, selective price increases, improved absorption of expenses due to higher volumes, and enhanced efficiencies at the Company's domestic manufacturing operation, as well as previously announced cost reduction programs.

Sales for the quarter ended March 31, 2006, improved 13.6 percent to \$64,125,000 from \$56,436,000 in the same period a year ago. Year to date, sales increased 9.1 percent to \$170,753,000 from \$156,549,000 in the fiscal 2005 nine months. Sales continue to benefit from strong demand across all the major markets the Company serves, especially from its oilfield, military, and commercial marine customers.

Commenting on the results, Michael E. Batten, Chairman and Chief Executive Officer, said, "We are extremely pleased to continue to produce record operating and financial results. This is an

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Page 2

exciting time in the Company's 87 year history. We have increased the shares outstanding to approximately 5,900,000 by splitting our common stock, improving the stock's liquidity and making it more affordable for individual investors. Further, the Board of Directors increased our March dividend payment 8.6 percent to \$0.19 per common share on a pre-split basis.

"For the third quarter, sales and the gross profit margin were not only records for our third quarter, but were the highest amounts for any quarter in our history. With our trailing twelve-month sales and earnings now at \$232,676,000 and \$2.03 per diluted share (adjusted), respectively, we remain confident that our financial improvements will continue for the remainder of fiscal 2006."

Christopher J. Eperjesy, Vice President – Finance, Chief Financial Officer and Secretary, stated, "The Company's financial position remains strong. We recently completed the private placement of a 10-year \$25,000,000 senior note. The terms of the note are included in an 8-K filing that was filed April 12, 2006. Given the present interest rate environment, we decided to lock in a fixed-rate, long-term debt agreement to help expand our future corporate development activities.

"At the end of the third quarter, working capital remained strong at \$53,814,000, compared to \$43,616,000 at June 30, 2005. Accounts receivable at March 31, 2006 were almost even compared to the end of the 2005 fiscal year, which is quite impressive considering sales increased 9.1 percent. In addition to a significant increase in our backlog, our inventories have only increased 4.1 percent over the same period last fiscal year. Total debt since the beginning of the fiscal year has decreased 12.8 percent."

Mr. Batten concluded, "Our backlog of orders to be shipped over the next six months is approximately \$88,500,000, up 34.9 percent compared with the same period a year ago. We are encouraged by our financial and operating momentum and continue to look at ways to grow our businesses both internally and through selective acquisitions."

Twin Disc designs, manufactures and sells heavy-duty off-highway power transmission equipment. Products offered include: marine transmissions, surface drives and propellers; power-shift transmissions; power take-offs and reduction gears; industrial clutches; and control systems. The Company sells its products to customers primarily in the marine, industrial equipment, government, energy and natural resources, and agricultural markets.

This press release may contain statements that are forward looking as defined by the Securities and Exchange Commission in its rules, regulations and releases. The Company intends that such forward-looking statements be subject to the safe harbors created thereby. All forward-looking statements are based on current expectations regarding important risk factors including those identified in the Company's most recent periodic report and other filings with the Securities and Exchange Commission. Accordingly, actual results may differ materially from those expressed in the forward-looking statements, and the making of such statements should not be regarded as a representation by the Company or any other person that the results expressed therein will be achieved.

--Financial Results Follow--

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Page 3

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per-share data; unaudited)

|   | Three Months Ended<br>March 31, |                 | Nine Months Ended<br>March 31, |                 |
|---|---------------------------------|-----------------|--------------------------------|-----------------|
|   | <u>2006</u>                     | <u>2005</u>     | <u>2006</u>                    | <u>2005</u>     |
| Net sales   | \$64,125                        | \$56,436        | \$170,753                      | \$156,549       |
| Cost of goods sold                                    | <u>44,219</u>                   | <u>41,761</u>   | <u>120,420</u>                 | <u>116,284</u>  |
| Gross profit  | 19,906                          | 14,675          | 50,333                         | 40,265          |
| Marketing, engineering and<br>administrative expenses | 13,153                          | 11,227          | 34,790                         | 31,997          |
| Interest expense                                      | 421                             | 304             | 1,136                          | 814             |
| Other expense (Income), net                           | <u>34</u>                       | <u>181</u>      | <u>(67)</u>                    | <u>322</u>      |
| Earnings before income<br>taxes and minority interest | 6,298                           | 2,963           | 14,474                         | 7,132           |
| Income taxes  | 2,445                           | 1,388           | 5,582                          | 3,300           |
| Minority interest                                     | <u>(34)</u>                     | <u>4</u>        | <u>(99)</u>                    | <u>(64)</u>     |
| Net earnings  | \$ <u>3,819</u>                 | \$ <u>1,579</u> | \$ <u>8,793</u>                | \$ <u>3,768</u> |
| Earnings per share:                                   |                                 |                 |                                |                 |
| Basic   | \$ 0.66                         | \$ 0.27         | \$ 1.53                        | \$ 0.66         |
| Diluted   | \$ 0.64                         | \$ 0.27         | \$ 1.49                        | \$ 0.65         |
| Average shares outstanding:                           |                                 |                 |                                |                 |
| Basic   | 5,775                           | 5,754           | 5,760                          | 5,715           |
| Diluted   | 5,923                           | 5,857           | 5,889                          | 5,811           |
| Dividends per share                                   | \$0.0950                        | \$0.0875        | \$0.2700                       | \$0.2625        |

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Page 4

**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except per-share data; unaudited)

|                                    | March 31,<br><u>2006</u> | June 30,<br><u>2005</u> |
|------------------------------------|--------------------------|-------------------------|
| <b>ASSETS</b>                      |                          |                         |
| Current assets:                    |                          |                         |
| Cash and cash equivalents          | \$ 9,764                 | \$11,614                |
| Trade accounts receivable, net     | 37,797                   | 37,751                  |
| Inventories, net                   | 55,398                   | 48,481                  |
| Deferred income taxes              | 7,289                    | 5,514                   |
| Other                              | <u>4,572</u>             | <u>6,165</u>            |
| Total current assets               | 114,820                  | 109,525                 |
| Property, plant and equipment, net | 38,958                   | 40,331                  |
| Goodwill                           | 12,624                   | 12,854                  |
| Deferred income taxes              | 14,664                   | 16,230                  |
| Other assets                       | <u>9,243</u>             | <u>9,097</u>            |
|                                    | <u>\$190,309</u>         | <u>\$188,037</u>        |

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Current liabilities:

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Notes payable                        | \$ 0             | \$3,522          |
| Current maturities on long-term debt | 2,856            | 2,849            |
| Accounts payable                     | 19,582           | 21,746           |
| Accrued liabilities                  | <u>38,568</u>    | <u>37,792</u>    |
| Total current liabilities            | 61,006           | 65,909           |
| Long-term debt                       | 15,739           | 14,958           |
| Accrued retirement benefits          | 38,932           | 39,680           |
| Other long-term liabilities          | <u>130</u>       | <u>0</u>         |
|                                      | 115,807          | 120,547          |
| Minority interest                    | 541              | 591              |
| Shareholders' equity:                |                  |                  |
| Common stock                         | 11,509           | 11,450           |
| Retained earnings                    | 96,544           | 89,316           |
| Accumulated other comprehensive loss | <u>(18,908)</u>  | <u>(17,567)</u>  |
|                                      | 89,145           | 83,199           |
| Less treasury stock, at cost         | <u>15,184</u>    | <u>16,300</u>    |
| Total shareholders' equity           | <u>73,961</u>    | <u>66,899</u>    |
|                                      | <u>\$190,309</u> | <u>\$188,037</u> |

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