TWIN DISC, INCORPORATED

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, 2005 Commission File Number 1-7635

TWIN DISC, INCORPORATED

(Exact name of registrant as specified in its charter)

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

Registrant's telephone number, including area code (262) 638-4000

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No X .

At October 31, 2005, the registrant had 2,904,834 shares of its common stock outstanding.

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

TWIN DISC, INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Unaudited)

	September 30 2005	June 30 2005
Assets		
Current assets:		
Cash and cash equivalents	$ 9,502	$ 11,614
Trade accounts receivable, net	34,195	37,751
Inventories, net	53,345	48,481
Deferred income taxes	5,807	5,514
Other	4,015	3,423
Total current assets	106,864	106,783
Property, plant and equipment, net	39,957	40,331
Goodwill	12,764	12,854
Deferred income taxes	14,627	16,230
Other assets	8,932	9,097
	$183,144	$185,295
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	$ 3,135	$ 3,522
Current maturities of long-term debt	2,849	2,849
Accounts payable	15,880	21,746
Accrued liabilities	32,702	35,050
Total current liabilities	54,566	63,167
Long-term debt	20,277	14,958
Accrued retirement benefits	38,346	39,680
	113,189	117,805
Minority Interest	517	591
Shareholders' Equity:		
Common stock	11,653	11,653
Retained earnings	91,297	89,316
Unearned Compensation	(150)	(203)
Accumulated other comprehensive loss	(17,842)	(17,567)
	84,958	83,199
Less treasury stock, at cost	15,520	16,300
Total shareholders' equity	69,438	66,899
	$183,144	$185,295

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

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

	Three Months Ended September 30 2005	Three Months Ended September 30 2004
Net sales	$49,577	$45,382
Cost of goods sold	35,173	33,730
	14,404	11,652
Marketing, engineering and administrative expenses	10,147	9,509
Interest expense	316	219
Other income, net	(54)	(44)
	10,409	9,684
Earnings before income taxes and minority interest	3,995	1,968
Income taxes	1,466	866
Earnings before minority interest	2,529	1,102
Minority interest	(43)	(25)
Net earnings	$ 2,486	$ 1,077
Dividends per share	$ 0.175	$ 0.175
Earnings per share data:		
Basic earnings per share	$ 0.87	$ 0.38
Diluted earnings per share	$ 0.85	$ 0.37
Shares outstanding data:		
Average shares outstanding	2,866	2,836
Dilutive shares	55	52
Diluted shares outstanding	2,921	2,888
Comprehensive income:		
Net earnings	$ 2,486	$ 1,077
Other comprehensive income:		
Foreign currency translation adjustment	(275)	229
Comprehensive income:	$ 2,211	$ 1,306

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

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

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

	Three Months Ended September 30 2005	2004
Cash flows from operating activities:		
Net earnings	$ 2,486	$ 1,077
Adjustments to reconcile net earnings to net cash used by operating activities:		
Depreciation and amortization	1,317	1,237
Net change in working capital, excluding cash	(9,620)	(5,099)
	(5,817)	(2,785)
Cash flows from investing activities:		
Acquisitions of fixed assets	(1,303)	(1,740)
	(1,303)	(1,740)
Cash flows from financing activities:		
Decrease in notes payable, net	(303)	(261)
Proceeds from long-term debt	5,375	3,707
Proceeds from exercise of stock options	731	486
Purchase of treasury stock	(125)	-
Dividends paid	(505)	(500)
	5,173	3,432
Effect of exchange rate changes on cash	(165)	(26)
Net change in cash and cash equivalents	(2,112)	(1,119)
Cash and cash equivalents:		
Beginning of period	11,614	9,127
End of period	$ 9,502	$ 8,008

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, 2005	June 30, 2005
Inventories:		
Finished parts	$37,506	$35,591
Work in process	10,303	7,565
Raw materials	5,536	5,325
	$53,345	$48,481

C. Warranty

Twin Disc engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its suppliers. However, its warranty obligation is affected by product failure rates, the extent of the market affected by the failure and the expense involved in satisfactorily addressing the situation. The warranty reserve is established based on our best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. When evaluating the adequacy of the reserve for warranty costs, management takes into consideration the term of the warranty coverage, historical claim rates and costs of repair, knowledge of the type and volume of new products and economic trends. While we believe the warranty reserve is adequate and that the judgment applied is appropriate, such amounts estimated to be due and payable in the future could differ materially from what actually transpires. The following is a listing of the activity in the warranty reserve during the three months ended September 30, 2005 and 2004.

	Three Months Ended September 30	
	2005	2004
Reserve balance, beginning of period	$6,679,000	$6,478,000
Current period expense	837,000	1,217,000
Payments or credits to customers	(1,053,000)	(1,057,000)
Translation	(26,000)	20,000
Reserve balance, end of period	$6,437,000	$6,658,000

D. Contingencies

The Company is involved in litigation of which the ultimate outcome and liability to the Company, if any, is not presently determinable. Management believes that final disposition of such litigation will not have a material impact on the Company's results of operations or financial position.

E. Business Segments

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

	Three months ended September 30, 2005	Three months ended September 30, 2004
Manufacturing segment sales	$ 44,404	$ 40,799
Distribution segment sales	19,452	15,468
Inter/Intra segment sales	(14,279)	(10,885)
Net sales	$ 49,577	$ 45,382
Manufacturing segment earnings	$ 3,753	$ 2,126
Distribution segment earnings	2,044	1,336
Inter/Intra segment loss	(1,802)	(1,494)
Earnings before income taxes and minority interest	$ 3,995	$ 1,968

Assets	September 30, 2005	June 30, 2005
Manufacturing segment assets	$ 193,854	$ 170,782
Distribution segment assets	34,192	33,356
Corporate assets and elimination of inter-company assets	(44,902)	(18,843)
	$ 183,144	$ 185,295

F. Stock Option Plans

In July 2005, the Company adopted the Financial Accounting Standards Board SFAS No. 123R "Share Based Payment" (FAS 123R). This statement requires the Company to expense the cost of employee services received in exchange for an award of equity instruments using the fair-value-based method. No options were granted in the first quarter of fiscal 2006 or 2005. All options outstanding were 100% vested at the adoption of this statement, therefore no compensation cost has been recognized in the condensed consolidated statements of operations.

Prior to July 2005, the Company accounted for its stock option plans under the guidelines of Accounting Principles Board Opinion No. 25. Accordingly, no compensation cost was recognized in the condensed consolidated statements of operations. Had the Company recognized compensation expense determined based on the fair value at the grant date for awards under the plans, the net earnings and earnings per share would have been as follows (in thousands, except per share amounts):

	Three Months Ended September 30, 2004

Net earnings	
As reported	$ 1,077
Pro forma	1,077

Basic earnings per share	
As reported	$ 0.38
Pro forma	0.38
Diluted earnings per share	
As reported	$ 0.37
Pro forma	0.37

In fiscal 2005 and during the first quarter of 2006, the Company granted 31,500 and 32,850 performance stock awards, respectively, to various employees of the Company, including executive officers. The stock awards will vest if the Company achieves specified consolidated gross revenue objectives in the fiscal years ending June 30, 2007 and 2008.

The fair-value of the performance shares is based on the closing trading value of the Company's stock on the date of grant. The fair value of the stock awards is expensed over the performance period for the shares that are expected to ultimately vest. The compensation expense for the three months ended September 30, 2004 and 2005, related to performance stock awards, approximated $0 and $173,000, respectively.

In addition to the performance shares mentioned above, the Company has unvested restricted stock outstanding that will vest if certain service conditions are fulfilled. During the first quarter of fiscal 2005 and 2006, the Company granted 27,500 and 0 service based restricted shares to employees. There were 27,500 and 18,800 unvested shares outstanding at September 30, 2004 and 2005, respectively. Compensation expense of $42,000 and $45,000 was recognized during the three months ended September 30, 2004 and 2005, respectively, related to these service-based awards.

G. Periodic Benefit Cost

The Company has non-contributory, qualified defined benefit plans covering substantially all domestic employees hired prior to October 1, 2003 and certain foreign employees. Components of Net Periodic Benefit Cost (in thousands):

	Three months ended September 30, 2005	2004
Pension Benefits:		
Service cost	$ 281	$ 287
Interest cost	1,731	1,780
Expected return on plan assets	(1,945)	(1,822)
Amortization of prior service cost	(156)	(149)
Amortization of transition obligation	11	11
Unrecognized net loss	963	994
Net periodic benefit cost	$ 885	$1,101
Postretirement Benefits:		
Service cost	$ 18	$ 13
Interest cost	352	418
Recognized net actuarial loss	86	164
Net periodic benefit cost	$ 456	$ 595

The Company previously disclosed in its financial statements for the year ended June 30, 2005, that it expected to contribute $4,457,000 to its pension plan in fiscal 2006. As of September 30, 2005, $1,894,000 of contributions have been made.

Item 2. Management Discussion and Analysis

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

Results of Operations

Comparison of the First Quarter of FY 2006 with the First Quarter of FY 2005

Net sales for the first quarter improved 9.2% to $49.6 million from $45.4 million in the same period a year ago. The year-over-year improvement came in a number of the Company's product markets. The Company's North American manufacturing and distribution operations saw increased demand for transmission and industrial products for oil-servicing and commercial applications. In addition, sales of the Company's military transmissions were up significantly. Sales of marine transmissions for commercial applications also saw significant year-over-year improvement in sales and order activities.

Sales at our manufacturing operations were up 8.8% versus the same period last year. Sales at our US domestic manufacturing location were up over 19%. Sales at our Belgian manufacturing location were down over 18% over the same period last year, primarily due to certain material shortages and critical equipment downtime encountered in the first quarter. As noted above, the sales growth in our domestic operations was primarily driven by increased sales of commercial marine transmissions, military and oilfield series transmissions,and industrial products.

Our distribution segment experienced an increase of 25.8% in sales compared to the first quarter of fiscal 2005. The majority of this increase came from our distribution operations in Asia-Pacific and North America. Sales growth in our commercial and pleasure craft marine transmission product lines primarily drove the increase in Asia-Pacific, while increased transmission and industrial product sales drove the growth in North America.

The elimination for net inter/intra segment sales increased $3.4 million, accounting for the remainder of the net change in sales versus the same period last year. This increase was consistent with the overall increase in sales and order levels experienced by the Company in the first quarter.

Gross margin as a percentage of sales increased to 29.1% of sales, compared to 25.7% of sales for the same period last year. This 340 basis point improvement can be attributed to improved product mix, selective price increases, improved productivity and absorption, and the impact of cost reduction programs. These favorable margin items were partially offset by higher prices for steel, shipping and energy versus the same period of the prior fiscal year. Higher volume, level fixed costs, increased manufacturing productivity and absorption at our domestic manufacturing operations, and lower pension expense helped to partially offset higher raw material and other costs.

Marketing, engineering, and administrative (ME&A) expenses were 6.7% higher compared to last year's first fiscal quarter. As a percentage of sales, ME&A expenses were down slightly to 20.5% of sales versus 21.0% of sales in the first quarter of fiscal 2005. The overall increase can be attributed to (1) the year-over-year increase in salary and wage costs, and (2) increased professional service and external consulting fees related to the internal control requirements of Section 404 of Sarbanes-Oxley.

Interest expense of $0.3 million for the quarter was up over 40% versus last year's first fiscal quarter. The increase can be attributed to higher borrowing levels, as well as an overall increase in interest rates versus the prior year. For the first quarter of fiscal 2005, the interest rate on the Company's revolving credit facility was in the range of 2.4% to just under 3.0%, whereas for the first quarter of fiscal 2006 the range was 4.4% to just under 5.0%.

The consolidated income tax rate was lower than a year ago primarily due to (1) the impact of certain business restructuring activities undertaken in the fourth quarter of fiscal 2005, which will allow the Company to utilize previously unutilized foreign tax credits and (2) changes in the mix of foreign versus domestic earnings.

Financial Condition, Liquidity and Capital Resources

Comparison between September 30, 2005 and June 30, 2005

As of September 30, 2005, the Company had net working capital of $52.3 million, which represents an increase of $8.7 million from the net working capital of $43.6 million as of June 30, 2005.

Cash and cash equivalents decreased $2.1 million, or approximately 18%, to $9.5 million as of September 30, 2005. The majority of the cash and cash equivalents as of September 30, 2005 are at our overseas operations in Europe and Asia-Pacific.

Trade receivables of $34.2 million were down $3.6 million versus last fiscal year-end. The net change is consistent with the sales volume experienced in the fourth fiscal quarter of the prior fiscal year versus the first fiscal quarter of fiscal 2006.

Net inventory increased by $4.9 million versus June 30, 2005 to $53.3 million. The majority of the increase came at the Company's domestic manufacturing location, where a significant increase in the order rate has been experienced. As compared to June 30, 2005, the Company's domestic operations saw a 37% increase in its order backlog, including a 19% increase in orders to be shipped in the next six months. On a consolidated basis, as of September 30, 2005, the Company's backlog of orders to be shipped over the next six months approximates $74.7 million, up 15% since the year began and up 37% compared with the same period a year ago.

Net property, plant and equipment (PP&E) decreased $0.4 million versus June 30, 2005. This includes the addition of $1.3 million in capital expenditures, primarily at the Company's Racine-based manufacturing operation, which was more than offset by depreciation. In total, the Company expects to invest more than $10 million in capital assets in fiscal 2006. This compares to just over $12 million in fiscal 2005. The Company's capital program is focusing on modernizing key core manufacturing, assembly and testing processes at its facilities around the world.

Accounts payable of $15.9 million were down 27% from June 30, 2005.

Total borrowings, notes payable and long-term debt, as of September 30, 2005 increased by $4.9 million, or 23%, to $26.3 million versus June 30, 2005. This increase is primarily attributable to increased working capital requirements, primarily inventory driven, due to significant increased sales and order activities. In addition, the Company made pension contributions of nearly $2 million in the quarter, a $2.3 million payment on a nearly $3 million flexible machining system capitalized in fiscal 2005, and the payment of fiscal 2005 incentive bonuses. In fiscal 2006, the Company expects to make pension contributions of just under $4.5 million, compared to just over $8.1 million in fiscal 2005.

Total shareholders' equity increased by $2.5 million to a total of $69.4 million. Retained earnings increased by $2.0 million. The net increase in retained earnings included $2.5 million in net earnings reported year-to-date, offset by $0.5 million in dividend payments. Net unfavorable foreign currency translation of $0.3 million was reported as the U.S. Dollar strengthened against the Euro and Asian currencies during the first three months. Accounting for the balance of the change, treasury stock decreased nearly $0.8 million from the prior fiscal year-end due to the exercising of stock options in the first three months of fiscal 2006.

The Company's balance sheet remains very strong, there are no off-balance-sheet arrangements, and we continue to have sufficient liquidity for near-term needs. As of September 30, 2005, the Company had outstanding available borrowing under its revolving line of credit of $16.1 million. Furthermore, the Company has over $9.5 million in cash and cash equivalents at its subsidiaries around the world. Management believes that available cash, our revolver facility, cash generated from operations, existing lines of credit and access to debt markets will be adequate to fund our capital requirements for the foreseeable future.

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

Contractual Obligations	Total	Less than 1 year	1-3 Years	3-5 Years	After 5 Years
Short-term debt	$ 3,135	$ 3,135			
Revolver borrowing	$18,875		$18,875		
Long-term debt	$ 4,251	$ 2,849	$ 1,402		
Operating leases	$ 8,535	$ 2,449	$ 2,951	$2,071	$1,064
Total obligations	$34,796	$ 8,433	$23,228	$2,071	$1,064

New Accounting Releases

During December 2004, the Financial Accounting Standards Board ("FASB") issued FSP FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004" ("FSP FAS 109-2"), which provides guidance on the accounting for the potential impact of the repatriation provisions of the American Jobs Creation Act of 2004 (the "Jobs Act") on enterprises' income tax expense and deferred tax liability. The Jobs Act, which was signed into law on October 22, 2004, introduces relief on the potential income tax impact of repatriating foreign earnings and certain other provisions. FSP FAS 109-2 states that an enterprise is allowed time beyond the financial reporting period of enactment to evaluate the effect of the Jobs Act on its plan for reinvestment or repatriation of foreign earnings for purposes of applying SFAS 109. Based on our analysis to date, we are not in a position to decide on whether, or to what extent, we might repatriate foreign earnings under the provision of the Jobs Act. However, we expect to be in a position to finalize our assessment by June 2006. It is not expected that this will have a significant impact on the Company's financial statements.

In May of 2005, the FASB issued SFAS No. 154 "Accunting Changes and Error Corrections - a replacment of APB Opinion No. 20 and FASB Statement No. 3". This statement requires retrospective appilication to prior periods' financial statements of changes in accounting principle, where practicable. The adoption of this statement is not expected to have a significant impact on the Company's financial statements.

Critical Accounting Policies

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

Twin Disc's significant accounting policies are described in Note A in the Notes to Consolidated Financial Statements in the Annual Report for June 30, 2005. There have been no significant changes to those accounting policies subsequent to June 30, 2005.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

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

Interest rate risk - The Company's earnings exposure related to adverse movements of interest rates is primarily derived from outstanding floating rate debt instruments that are indexed to the prime and LIBOR interest rates. In accordance with the $35,000,000 revolving loan agreement expiring October 31, 2007, the Company has the option of borrowing at the prime interest rate or LIBOR plus an additional "Add-On", between 1% and 2.75%, depending on the Company's Total Funded Debt to EBITDA ratio. Due to the relative stability of interest rates, the Company did not utilize any financial instruments at September 30, 2005 to manage interest rate risk exposure. A 10 percent increase or decrease in the applicable interest rate would result in a change in pretax interest expense of approximately $94,000.

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

Currency risk - The Company has exposure to foreign currency exchange fluctuations. Approximately 40% of the Company's revenues in the three months ended September 30, 2005 and 2004 were denominated in currencies other than the U.S. dollar. Of that total, approximately half was denominated in euros with the balance composed of Japanese yen and the Australian and Singapore dollars. The Company does not hedge the translation exposure represented by the net assets of its foreign subsidiaries. Foreign currency translation adjustments are recorded as a component of shareholders' equity. Forward foreign exchange contracts are used to hedge the currency fluctuations on significant transactions denominated in foreign currencies.

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

The Company primarily enters into forward exchange contracts to reduce the earnings and cash flow impact of non-functional currency denominated receivables and payables. These contracts are highly effective in hedging the cash flows attributable to changes in currency exchange rates. Gains and losses resulting from these contracts offset the foreign exchange gains or losses on the underlying assets and liabilities being hedged. The maturities of the forward exchange contracts generally coincide with the settlement dates of the related transactions. Gains and losses on these contracts are recorded in Other income (expense), net in the Consolidated Statement of Operations as the changes in the fair value of the contracts are recognized and generally offset the gains and losses on the hedged items in the same period. The primary currency to which the Company was exposed in fiscal 2005 and 2004 was the Euro. At September 30, 2005 the Company had net outstanding forward exchange contracts to purchase Euros in the value of $3,700,000 with a weighted average maturity of 49 days. The fair value of the Company's contracts was a gain of approximately $6,000 at September 30, 2005. At June 30, 2005 the Company had net outstanding forward exchange contracts to purchase Euros in the value of $2,153,000 with a weighted average maturity of 31 days. The fair value of the Company's contracts was a loss of approximately $56,000 at June 30, 2005.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures.

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

(b) Changes in Internal Controls.

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

Part II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 2. Changes in Securities and Use of Proceeds.

There were no securities of the Company sold by the Company during the three months ended September 30, 2005, which were not registered under the Securities Act of 1933, in reliance upon an exemption from registration provided by Section 4 (2) of the Act.

During the period covered by this report, the Company offered participants in the Twin Disc, Incorporated B The Accelerator 401(k) Savings Plan (the "Plan") the option to invest their Plan accounts in a fund comprised of Company stock. Participation interests of Plan participants in the Plan, which may be considered securities, were not registered with the SEC. During the fiscal year ended June 30, 2005, 83 Plan participants allocated an aggregate of $153,000 toward this investment option. Participant accounts in the Plan consist of a combination of employee deferrals, Company matching contributions, and, in some cases, additional Company profit-sharing contributions. No underwriters were involved in these transactions. On September 6, 2002, the Company filed a Form S-8 to register 100,000 shares of Company common stock offered through the Plan, as well as an indeterminate amount of Plan participation interests.

Item 5. Other Information.

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

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

A Form 8-K was filed on July 19 regarding the restatement of earnings resulting from the change in the elimination of intercompany profit within inventory. A Form 8-K was filed on August 2 which included a press release announcing financial results for the fiscal 2005 fourth quarter, along with disclosure on executive compensation agreements.

SIGNATURE

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

TWIN DISC, INCORPORATED
(Registrant)

November 14, 2005	/S/ JEFFREY S. KNUTSON
(Date)	Jeffrey S. Knutson Corporate Controller Chief Accounting Officer

EXHIBIT 32b

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Twin Disc, Incorporated (the "Company") on Form 10-Q for the fiscal quarter ending September 30, 2005, as filed with the Securities and Exchange Commission as of the date hereof (the "Report"), I, Christopher J. Eperjesy, Vice President - Finance, Chief Financial Officer and Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with Section 13(a) of the Securities Exchange Act of 1934, and

(2) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 14, 2005

/s/ CHRISTOPHER J. EPERJESY

Christopher J. Eperjesy
Vice President - Finance,
Chief Financial Officer and Secretary

Exhibit 31a
CERTIFICATIONS

CERTIFICATIONS

I, Michael E. Batten, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Twin Disc, Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's first fiscal quarter in the case of this quarterly report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 14, 2005

/s/ MICHAEL E. BATTEN

Michael E. Batten
Chairman, Chief Executive Officer

Exhibit 31b
CERTIFICATIONS

I, Christopher J. Eperjesy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Twin Disc, Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's first fiscal quarter in the case of this quarterly report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 14, 2005

/s/ CHRISTOPHER J. EPERJESY

Christopher J. Eperjesy
Vice President - Finance,
Chief Financial Officer and Secretary

EXHIBIT 32a

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Twin Disc, Incorporated (the "Company") on Form 10-Q for the fiscal quarter ending September 30, 2005, as filed with the Securities and Exchange Commission as of the date hereof (the "Report"), I, Michael E. Batten, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with Section 13(a) of the Securities Exchange Act of 1934, and

(2) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 14, 2005

/s/ MICHAEL E. BATTEN

Michael E. Batten
Chairman, Chief Executive Officer