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, 1996   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, 1996, the registrant had 2,780,574 shares of its common stock outstanding.

FINANCIAL STATEMENTS

TWIN DISC, INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31 1996	June 30 1996
	(Thousands)	
(Unaudited)		
Assets		
Cash and cash equivalents	$ 6,346	$ 2,043
Accounts and notes receivable	32,237	34,917
Inventories	53,487	51,083
Deferred income taxes	3,403	2,710
Other current assets	5,269	5,887
Total current assets	100,742	96,640
Property, plant and equipment	110,030	108,663
Accumulated Depreciation	74,527	72,948
Net property, plant and equipment	35,503	35,715
Deferred income taxes	3,777	3,758
Intangible pension asset	8,079	8,079
Other assets	17,897	18,507
	$165,998	$162,699
Liabilities		
Notes payable	$ 6,315	$ 7,360
Accounts payable	10,613	8,806
Accrued liabilities	18,524	17,836
Total current liabilities	35,452	34,002
Long-term debt	19,942	19,938
Accrued postretirement benefits	33,606	33,578
Total liabilities	89,001	87,518
Shareholders' Equity		
Common stock	11,653	11,653
Retained earnings	73,551	71,658
Translation component	9,562	9,706
	94,765	93,017
Treasury stock	17,768	17,836
	76,998	75,181
	$165,998	$162,699

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

TWIN DISC, INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)	Three Months Ended December 31 1996	1995	Six Months Ended December 31 1996	1995
Net sales	$45,496	$41,763	$86,437	$78,538
Cost of goods sold	34,516	32,468	66,770	62,150
	10,980	9,295	19,667	16,388
Marketing, engineering and administrative expenses	7,674	6,992	14,734	13,262
Interest expense	495	370	975	700
Other income, net	(104)	(188)	(1,084)	(123)
	8,065	7,174	14,625	13,839
Earnings before income tax	2,915	2,121	5,042	2,549
Income taxes	1,173	858	2,168	1,065
Net earnings	$ 1,742	$ 1,263	$ 2,874	$ 1,484
Earnings per share	$ .63	$ .45	$ 1.04	$ .53
Dividends per share	$ .175	$ .175	$ .35	$ .35
Average shares outstanding (thousands)	2,779	2,777	2,778	2,776
Translation component of equity				
Balance - beginning of the period	$ 9,810	$12,808	$ 9,706	$13,797
Translation adjustment	(248)	10	(144)	(979)
Balance - end of the period	$ 9,562	$12,818	$ 9,562	$12,818

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

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

TWIN DISC, INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended December 31 1996	1995
	(Thousands)	
(Unaudited)		
Cash flows from operating activities:		
Net earnings	$ 2,874	$ 1,484
Non-cash adjustments to net earnings:		
Depreciation	2,602	2,419
Loss (gain) on sale of fixed assets	(237)	4
Dividends received	100	548
Net change in working capital, excluding cash and debt	2,874	(5,482)
	8,213	(1,027)
Cash flows from investing activities:		
Acquisitions of fixed assets	(2,354)	(1,952)
Proceeds from sale of fixed assets	431	3
	(1,923)	(1,949)
Cash flows from financing activities:		
Increase (decrease) in notes payable, net	(1,044)	4,068
Proceeds from (payments on) long-term debt	(2)	8
Treasury stock	59	30
Dividend payments	(972)	(972)
	(1,959)	3,134
Effect of exchange rate changes on cash	(28)	19
Net change in cash and cash equivalents	4,303	177
Cash and cash equivalents:		
Beginning of period	2,043	3,741
End of period	$ 6,346	$ 3,918

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

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 1996	June 30 1996
Inventories:		
Finished parts	$32,928	$41,535
Work in process	16,312	5,429
Raw materials	4,247	4,119
	$53,487	$51,083

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, 1996 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Net sales for the quarter were 9 percent higher than the same period last year with domestic manufacturing operations showing the greatest improvement. The principal components of the increase were transmissions shipped under the Tatra contract, higher horsepower marine transmissions used in commercial applications, and aftermarket service parts. The higher parts sales, about one-third of the increase, represented a return to a more normal sales level after the disruption last year caused by business systems changes. Shipments from our Belgian manufacturing operation were down, primarily as a result of reduced demand from the marine pleasure craft market. However, an increase in sales of torque converters used in light construction equipment partially offset that decline. The demand for the larger marine transmissions used in fishing and work boats continues to be firm, primarily for boats being built in the U.S. and the Pacific Basin.

Sales from our distribution operations around the world were up slightly with gains in Australia and the Pacific Basin offsetting some weakness in the U.S. and Europe. Earnings of these subsidiaries varied by region in line with the sales trend but, in the aggregate, were up slightly over last year.

The consolidated gross margin increased by almost two percentage points from last year's second quarter and was well above the first three months of the fiscal year. As with sales gains, the margin improvement was realized at our domestic manufacturing operations. The improvement resulted from greater production efficiency as well as the higher sales volume. Improved productivity also benefited Belgian margins by compensating for the unfavorable impact of reduced sales.

Marketing, engineering, and administrative expenses continued at a level about 10 percent higher than a year ago due to increased domestic engineering and marketing expense. The major components of the increase were added personnel in both areas and product development and promotional expenses. The increase in interest expense reflects an increase in domestic debt and a somewhat higher interest rate on the long-term debt issue in June.

Working capital increased by less than $1 million during the quarter and is $2.6 million higher than at the beginning of the year. The current ratio declined to the same level as in June. There was a modest increase in accounts receivable during the quarter related to the higher sales volume, and inventory rose by almost $2 million. The inventory increase occurred domestically and is a temporary situation of completed product awaiting customer pick-up. Cash flows from operating activities for the six months have exceeded those required for investing and financing activities. Since the beginning of the year, debt has been reduced and cash balances increased. 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, 1996. 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, 1996 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 18, 1996, 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 1999:

Michael E. Batten	For: 2,575,644	Authority withheld: 6,104
David L. Swift	For: 2,575,725	Authority withheld: 6,023
David R. Zimmer	For: 2,575,970	Authority withheld: 5,778

2. Election of the firm of Coopers & Lybrand L.L.P. as independent public auditors to examine the accounts for the fiscal year of 1997:

For: 2,577,479	Against: 1,464	Abstain: 2,805

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

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, 1996, and the related condensed consolidated statements of operations and cash flows for the three and six-month periods ended December 31, 1996 and 1995. 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 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, 1996, 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 26, 1996, 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, 1996, 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 10, 1997

[TYPE] EX-15

EXHIBIT 15

Awareness Letter of Independent Accountants

Securities and Exchange Commission
Washington, D.C.

RE: Twin Disc, Incorporated

We are aware that our report dated January 10, 1997 on our review of interim financial information of Twin Disc, Incorporated for the three and six-month periods ended December 31, 1996 and 1995 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
February 5, 1997

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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 DECEMBER, 1995 AND IS QUALIFIED IN ITS
ENTIRETY BY
REFERENCE TO SUCH
FINANCIAL STATEMENTS.

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JUN-30-1996
DEC-31-1996
6,348
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32,563
326
53,487
100,742
110,030
74,527
165,998
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1.04