SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended June 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 Number)
1328 Racine Street, Racine, Wisconsin	53403
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, including area code (414) 638-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered:
Common stock, no par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
Common stock, no par value

(Title of Class)

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [X].

At September 1, 1999, the aggregate market value of the common stock held by non-affiliates of the registrant was $40,983,544. Determination of stock ownership by affiliates was made solely for the purpose of responding to this requirement and registrant is not bound by this determination for any other purpose.

At September 1, 1999, the registrant had 2,835,334 shares of its common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

The incorporated portions of such documents being specifically identified in the applicable Items of this Report.

Portions of the Annual Report to Shareholders for the year ended June 30, 1999 are incorporated by reference into Parts I, II and IV.

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held October 15, 1999 are incorporated by reference into Parts I, III and IV.

PART I

Item 1. Business

Twin Disc designs, manufactures and sells heavy duty off-highway power transmission equipment. Products offered include: hydraulic torque converters; power-shift transmissions; marine transmissions and surface drives; universal joints; gas turbine starting drives; power take-offs and reduction gears; industrial clutches; fluid couplings and control systems. The Company sells its product to customers primarily in the construction equipment, industrial equipment, government, marine, energy and natural resources and agricultural markets. The Company's worldwide sales to both domestic and foreign customers are transacted through a direct sales force and a distributor network. There have been no significant changes in products or markets since the beginning of the fiscal year. The products described above have accounted for more than 90% of revenues in each of the last three fiscal years.

Most of the Company's products are machined from cast iron, forgings, cast aluminum and bar steel which generally are available from multiple sources and which are believed to be in adequate supply.

The Company has pursued a policy of applying for patents in both the United States and certain foreign countries on inventions made in the course of its development work for which commercial applications are considered probable. The Company regards its patents collectively as important but does not consider its business dependent upon any one of such patents.

The business is not considered to be seasonal except to the extent that employee vacations are taken mainly in the months of July and August curtailing production during that period.

The Company's products receive direct widespread competition, including from divisions of other larger independent manufacturers. The Company also competes for business with parts manufacturing divisions of some of its major customers. Ten customers accounted for approximately 45% of the Company's consolidated net sales during the year ended June 30, 1999. Two customers, Caterpillar Inc. and Sewart Supply, Inc., each accounted for approximately 8% of consolidated net sales in 1999.

Unfilled open orders for the next six months of $39,892,000 at June 30, 1999 compares to $54,225,000 at June 30, 1998. Since orders are subject to cancellation and rescheduling by the customer, the six-month order backlog is considered more representative of operating conditions than total backlog. However, as procurement and manufacturing "lead times" change, the backlog will increase or decrease; and thus it does not necessarily provide a valid indicator of the shipping rate. Cancellations are generally the result of rescheduling activity and do not represent a material change in backlog.

Management recognizes that there are attendant risks that foreign governments may place restrictions on dividend payments and other movements of money, but these risks are considered minimal due to the political relations the United States maintains with the countries in which the Company operates or the relatively low investment within individual countries. The Company's business is not subject to renegotiation of profits or termination of contracts at the election of the Government.

Engineering and development costs include research and development expenses for new product development and major improvements to existing products, and other charges for ongoing efforts to refine existing products. Research and development costs charged to operations totaled $2,505,000, $3,104,000 and $3,050,000 in 1999, 1998 and 1997, respectively. Total engineering and development costs were $7,829,000, $8,833,000 and $8,288,000 in 1999, 1998 and 1997, respectively.

Item 1. Business (continued)

Compliance with federal, state and local provisions regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, is not anticipated to have a material effect on capital expenditures, earnings or the competitive position of the Company.

The number of persons employed by the Company at June 30, 1999 was 1,029.

A summary of financial data by segment for the years ended June 30, 1999, 1998 and 1997 appears in Note I to the consolidated financial statements on pages 31 through 33 of the 1999 Annual Report to Shareholders, which financial statements are incorporated by reference in this Form 10-K Annual Report in Part II.

Item 2. Properties

The Company owns two manufacturing, assembly and office facilities in Racine, Wisconsin, U.S.A. and one in Nivelles, Belgium. The aggregate floor space of these three plants approximates 677,000 square feet. One of the Racine facilities includes office space which is the location of the Company's corporate headquarters. The Company leases additional manufacturing, assembly and office facilities in Decima, Italy.

The Company also has operations in the following locations, all of which are used for sales offices, warehousing and light assembly or product service. The following properties are leased:

Jacksonville, Florida, U.S.A.
Brisbane, Queensland, Australia

Miami, Florida, U.S.A.
Perth, Western Australia, Australia

Loves Park, Illinois, U.S.A.
Auckland, New Zealand

Coburg, Oregon, U.S.A.
Singapore

Seattle, Washington, U.S.A.
Johannesburg, South Africa

Vancouver, British Columbia, Canada
Madrid, Spain

Edmonton, Alberta, Canada
Viareggio, Italy

Shanghai, China
Chambery, France

The properties are generally suitable for operations and are utilized in the manner for which they were designed. Manufacturing facilities are currently operating at less than 65% capacity and are adequate to meet foreseeable needs of the Company.

Item 3. 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.

The Company has joined with a group of potentially responsible parties in signing a consent decree with the Illinois Environmental Protection Agency("IEPA") to conduct a remedial investigation and feasibility study at the Interstate Pollution Control facility in Rockford, Illinois. The consent decree was signed on October 17, 1991, and filed with the federal court in the Northern District of Illinois. The Company's total potential liability on the site cannot be estimated with particularity until a final remedy is selected by the IEPA and an allocation scheme is adopted by the parties. Based upon current assumptions, however, the Company anticipates potential liability of approximately $150,000.

The Company has also joined with a group of potentially responsible parties in signing a consent decree with the Illinois Environmental Protection Agency to conduct a remedial investigation and feasibility study at the MIG\DeWane Landfill in Rockford, Illinois. The consent decree was signed on March 29, 1991, and filed with the federal court in the Northern District of Illinois. The Company's total potential liability on the site cannot be estimated with particularity until a final remedy is selected by the IEPA and an allocation scheme is adopted by the parties. Based upon current assumptions, however, the Company anticipates potential liability of approximately $600,000.

The Company also is involved with other potentially responsible parties in various stages of investigation and remediation relating to other hazardous waste sites, some of which are on the United States EPA National Priorities List (Superfund sites). While it is impossible at this time to determine with certainty the ultimate outcome of such environmental matters, they are not expected to materially affect the Company's financial position, operating results or cash flows.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Executive Officers of the Registrant

(Pursuant to General Instruction G(3) of Form 10-K, the following list is included as an unnumbered Item in Part I of this Report in lieu of being included in the Proxy Statement for the Annual Meeting of Shareholders to be held on October 15, 1999.)

Name	Principal Occupation Last Five Years	Age
Michael E. Batten	Chairman, Chief Executive Officer	59
Michael H. Joyce	President-Chief Operating Officer	58
James O. Parrish	Vice President - Finance and Treasurer	59
Lance J. Melik	Vice President - Transmission and Industrial products since June 1999 and Vice President - Corporate Development since September 1995; formerly Vice President - Marketing	56

Item 4. Executive Officers of the Registrant (continued)

Name	Principal Occupation Last Five Years	Age
Paul A. Pelligrino	Vice President - Engineering since April 1996; formerly Chief Engineer of Corporate Engineering	60
Henri Claude Fabry	Vice President - Marine and Distribution since June 1999; formerly Director of Marketing and Sales, Twin Disc International S.A. since February 1997; formerly Managing Director of Marine Power Europe since 1985	53
Arthur A. Zintek	Vice President - Human Resources since January 1998; formerly Vice President Human Resources, Mitsubishi Motor Manufacturing of North America since April 1997; formerly Director of Human Resources, Harley Davidson, Inc. since September 1992	52
Fred H. Timm	Corporate Controller and Secretary	53

Officers are elected annually by the Board of Directors at the first meeting of the Board held after each Annual Meeting of the Shareholders. Each officer shall hold office until his successor has been duly elected, or until he shall resign or shall have been removed from office.

PART II

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters

The dividends per share and stock price range information set forth under the caption "Sales and Earnings by Quarter" on page 1 of the Annual Report for the year ended June 30, 1999 are incorporated into this Report by reference.

As of June 30, 1999 there were 1,138 shareholder accounts. The Company's stock is traded on the New York Stock Exchange. The market price of the Company's common stock as of the close of business on September 1, 1999 was $18.75 per share.

Pursuant to a shareholder rights plan (the "Rights Plan"), on April 17, 1998, the Board of Directors declared a dividend distribution, payable to shareholders of record at the close of business on June 30, 1998, of one Preferred Stock Purchase Right ("Rights") for each outstanding share of Common Stock. The Rights will expire 10 years after issuance, and will be exercisable only if a person or group becomes the beneficial owner of 15% or more of the Common Stock (or 25% in the case of any person or group which currently owns 15% or more of the shares or who shall become the Beneficial Owner of 15% or more of the shares as a result of any transfer by reason of the death of or by gift from any other person who is an Affiliate or an Associate of such existing holder or by succeeding such a person as trustee of a trust existing on the record date) (an "Acquiring Person"), or 10 business days following the commencement of a tender or exchange offer that would result in the offeror beneficially owning 25% or more of the Common Stock. A person who is not an Acquiring Person will not be deemed to have become an Acquiring Person solely as a result of a reduction in the number of shares of Common Stock outstanding due to a repurchase of Common Stock by the Company until such person becomes beneficial owner of any additional shares of Common Stock. Each Right will entitle shareholders who received

Item 5. Market for the Registrant's Common Stock and Related Shareholder Matters (Continued)

the Rights to buy one newly issued unit of one one-hundredth of a share of Series A Junior Preferred Stock at an exercise price of $160, subject to certain antidilution adjustments. The Company will generally be entitled to redeem the Rights at $.05 per Right at any time prior to 10 business days after a public announcement of the existence of an Acquiring Person. In addition, if (i) a person or group accumulates more than 25% of the Common Stock (except pursuant to an offer for all outstanding shares of Common Stock which the independent directors of the Company determine to be fair to and otherwise in the best interests of the Company and its shareholders and except solely due to a reduction in the number of shares of Common Stock outstanding due to the repurchase of Common Stock by the Company), (ii) a merger takes place with an Acquiring Person where the Company is the surviving corporation and its Common Stock is not changed or exchanged, (iii) an Acquiring Person engages in certain self-dealing transactions, or (iv) during such time as there is an Acquiring Person, an event occurs which results in such Acquiring Person's ownership interest being increased by more than 1% (e.g., a reverse stock split), each Right (other than Rights held by the Acquiring Person and certain related parties which become void) will represent the right to purchase, at the exercise price, Common Stock (or in certain circumstances, a combination of securities and/or assets) having a value of twice the exercise price. In addition, if following the public announcement of the existence of an Acquiring Person the Company is acquired in a merger or other business combination transaction, except a merger or other business combination transaction that takes place after the consummation of an offer for all outstanding shares of Common Stock that the independent directors of the Company have determined to be fair, or a sale or transfer of 50% or more of the Company's assets or earning power is made, each Right (unless previously voided) will represent the right to purchase, at the exercise price, common stock of the acquiring entity having a value of twice the exercise price at the time.

The Rights may have certain anti-takeover effects. The Rights will cause substantial dilution to a person or group that attempts to acquire the Company without conditioning the offer on a substantial number of Rights being acquired. However, the Rights are not intended to prevent a take-over, but rather are designed to enhance the ability of the Board of Directors to negotiate with an acquirer on behalf of all of the shareholders. In addition, the Rights should not interfere with a proxy contest.

The Rights should not interfere with any merger or other business combination approved by the Board of Directors since the Rights may be redeemed by the Company at $.05 per Right prior to 10 business days after the public announcement of the existence of an Acquiring Person.

The news release announcing the declaration of the Rights dividend, dated April 17, 1998, filed as Item 14(a)(3), Exhibit 4(b) of Part IV of the Annual Report on Form 10-K for the year ended June 30, 1998 is hereby incorporated by reference.

Item 6. Selected Financial Data

The information set forth under the caption "Ten-Year Financial Summary" on pages 42 and 43 of the Annual Report to Shareholders for the year ended June 30, 1999 is incorporated into this report by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

(a) 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. Discussions of the Company's accounting policies and further disclosure relating to financial instruments is included in Note A of Notes to Consolidated Financial Statements on pages 27 and 28 of the 1999 Annual Report to Shareholders, which financial statements are incorporated by reference.

Interest rate risk - The Company currently has lines of credit bearing interest predominantly at the LIBOR interest rate plus 1.25%. Due to the relative stability of interest rates, the Company does not utilize any financial instruments to manage interest rate risk exposure.

Commodity price risk - The Company is exposed to the fluctuation in market prices for such commodities as steel and aluminum. Due to the relative stability of these commodities, 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. 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 transactions denominated in foreign currencies. Gains and losses from foreign currency transactions are included in earnings. At June 30, 1999 and 1998, the Company had outstanding forward exchange contracts to purchase 76,040,000 and 183,640,000 Belgian francs at a cost of $2,000,000 and $5,000,000, respectively. The contracts have a weighted average maturity of 33 days and 56 days, respectively.

The information set forth under the caption "Management's Discussion and Analysis" on pages 19 through 22 of the Annual Report to Shareholders for the year ended June 30, 1999 is incorporated into this report by reference.

Item 8. Financial Statements and Supplementary Data

The following Consolidated Financial Statements of Twin Disc, Incorporated and Subsidiaries set forth on pages 23 through 41 of the Annual Report to Shareholders for the year ended June 30, 1999 are incorporated into this report by reference:

Consolidated Balance Sheets, June 30, 1999 and 1998

Consolidated Statements of Operations for the years ended June 30, 1999, 1998 and 1997

Consolidated Statements of Cash Flows for the years ended June 30, 1999, 1998 and 1997

Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income for the years ended June 30, 1999, 1998 and 1997

Notes to Consolidated Financial Statements

Report of Independent Accountants

The supplementary data regarding quarterly results of operations set forth under the caption "Sales and Earnings by Quarter" on page 1 of the Annual Report to Shareholders for the year ended June 30, 1999 is incorporated into this report by reference.

Item 9. Change in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

For information with respect to the executive officers of the Registrant, see "Executive Officers of the Registrant" at the end of Part I of this report. For information with respect to the Directors of the Registrant, see "Election of Directors" on pages 5 through 6 of the Proxy Statement for the Annual Meeting of Shareholders to be held October 15, 1999, which is incorporated into this report by reference.

For information with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934, see "Section 16(a) Beneficial Ownership Reporting Compliance" on page 13 of the Proxy Statement for the Annual Meeting of Shareholders to be held October 15, 1999, which is incorporated into this report by reference.

Item 11. Executive Compensation

The information set forth under the captions "Compensation of Executive Officers", "Stock Options","Retirement Income Plan" and "Supplemental Retirement Benefit Plan" on pages 8 through 10 of the Proxy Statement for the Annual Meeting of Shareholders to be held on October 15, 1999 is incorporated into this report by reference. Discussion in the Proxy Statement under the captions "Board Executive Selection and Salary Committee Report on Executive Compensation" and "Corporate Performance Graph" is not incorporated by reference and shall not be deemed "filed" as part of this report.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Security ownership of certain beneficial owners and management is set forth on pages 3 and 4 of the Proxy Statement for the Annual Meeting of Shareholders to be held on October 15, 1999 under the caption "Principal Shareholders, Directors and Executive Officers" and incorporated into this report by reference.

There are no arrangements known to the Registrant, the operation of which may at a subsequent date result in a change in control of the Registrant.

Item 13. Certain Relationships and Related Transactions

None.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a)(1) The following Consolidated Financial Statements of Twin Disc, Incorporated and Subsidiaries set forth on pages 23 through 41 of the Annual Report to Shareholders for the year ended June 30, 1999 are incorporated by reference into this report in Part II:

Consolidated Balance Sheets, June 30, 1999 and 1998

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K (Continued)

Consolidated Statements of Operations for the years ended June 30, 1999, 1998 and 1997

Consolidated Statements of Cash Flows for the years ended June 30, 1999, 1998 and 1997

Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income for the years ended June 30, 1999, 1998 and 1997

Notes to Consolidated Financial Statements

Report of Independent Accountants

The supplementary data regarding quarterly results of operations under the caption "Sales and Earnings by Quarter" on page 1 of the Annual Report to Shareholders for the year ended June 30, 1999 is incorporated by reference into this Form in Part II.

Individual financial statements of the 50% or less owned entities accounted for by the equity method are not required because the 50% or less owned entities do not constitute significant subsidiaries.

(a)(2) Consolidated Financial Statement Schedule (numbered in accordance with Regulation S-X) for the 3 years ended June 30, 1999:

	Page
Report of Independent Accountants	13
Schedule II-Valuation and Qualifying Accounts	14

Schedules, other than those listed, are omitted for the reason that they are inapplicable, are not required, or the information required is shown in the financial statements or the related notes.

The Report of the Independent Accountants of the Registrant with respect to the above-listed consolidated financial statement schedule appears on page 13 of this Form.

(a)(3) List of Exhibits: (numbered in accordance with Item 601 of Regulation S-K)

2 Not applicable

3 a) Articles of Incorporation, as restated October 21, 1988 (Incorporated by reference to Exhibit 3(a) of the Company's Form 10-K for the year ended June 30, 1989).

b) Corporate Bylaws, amended through June 22, 1998 (Incorporated by reference to Exhibit 3(b) of the Company's Form 10-K for the year ended June 30, 1998).

4 Instruments defining the rights of security holders, including indentures

a) Form of Rights Agreement dated as of April 17, 1998 by and between the Company and the Firstar Trust Company, as Rights Agent, with Form of Rights Certificate (Incorporated by reference to Exhibits 1 and 2 of the Company's Form 8-A dated May 4, 1998).

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K (Continued)

b) Announcement of Shareholder Rights Plan per news release dated April 17, 1998 (Incorporated by reference to Exhibit 99, of the Company's Form 10-Q dated May 4, 1998).

9 Not applicable

10 Material Contracts

a) * The 1988 Incentive Stock Option Plan (Incorporated by reference to Exhibit B of the Proxy Statement for the Annual Meeting of Shareholders held on October 21, 1988).

b) * The 1988 Non-Qualified Stock Option Plan for Officers, Key Employees and Directors (Incorporated by reference to Exhibit C of the Proxy Statement for the Annual Meeting of Shareholders held on October 21,1988).

c) * Amendment to 1988 Incentive Stock Option Plan of Twin Disc, Incorporated (Incorporated by reference to Exhibit A of the Proxy Statement for the Annual Meeting of Shareholders held on October 15, 1993).

d) * Amendment to 1988 Non-Qualified Incentive Stock Option Plan for Officers, Key Employees and Directors of Twin Disc, Incorporated (Incorporated by reference to Exhibit B of the Proxy Statement for the Annual Meeting of Shareholders held on October 15, 1993).

e) * Form of Severance Agreement for Senior Officers and form of Severance Agreement for Other Officers (Incorporated by reference to Exhibit 10(c) and (d), respectively, of the Company's Form 10-K for the year ended June 30, 1989).

f) *Supplemental Retirement Plan (Incorporated by reference to Exhibit 10(f) of the Company's Form 10-K for the year ended June 30, 1998).

g) * Director Tenure and Retirement Policy (Incorporated by reference to Exhibit 10(f) of the Company's Form 10-K for the year ended June 30, 1993).

h) * Form of Twin Disc, Incorporated Corporate Short Term Incentive Plan (Incorporated by reference to Exhibit 10(g) of the Company's Form 10-K for the year ended June 30, 1993).

i) * The 1998 Incentive Compensation Plan (Incorporated by reference to Exhibit A of the Proxy Statement for the Annual Meeting of Shareholders held on October 16, 1998).

j) * The 1998 Stock Option Plan for Non-Employee Directors (Incorporated by reference to Exhibit B of the Proxy Statement for the Annual Meeting of Shareholders held on October 16, 1998).

* Denotes management contract or compensatory plan or arrangement.

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K (Continued)

11 Not applicable

12 Not applicable

13 Annual Report of the Registrant for the year ended June 30, 1999 is separately filed as Exhibit 13 to this Report (except for those portions of such Annual Report separately incorporated by reference into this Report, such Annual Report is furnished for the information of the Securities and Exchange Commission and shall not be deemed "filed" as part of this Form).

18 Not applicable

21 Subsidiaries of the Registrant

22 Not applicable

23 Consent of Independent Accountants

24 Power of Attorney

27 Financial Data Schedule for the year ended June 30, 1999 is separately filed as Exhibit 27 to this report. (This schedule is furnished for the information of the Securities and Exchange Commission and shall not be deemed "filed" for purposes of Section 11 of the Securities Act or Section 18 of the Exchange Act.)

28 Not applicable

99 Foreign Affiliate Separate Financial Statements

a) Niigata Converter Co., Ltd. financial statements for the year ended March 31, 1995 prepared in accordance with Japanese Commercial Code (Incorporated by reference to Exhibit 99(a) of the Company's Form 10-K for the year ended June 30, 1995).

b) Niigata Converter Co., Ltd. financial statements for the year ended March 31, 1994 prepared in accordance with Japanese Commercial Code (Incorporated by reference to Exhibit 99(b) of the Company's Form 10-K for the year ended June 30, 1995).

Copies of exhibits filed as a part of this Annual Report on Form 10-K may be obtained by shareholders of record upon written request directed to the Secretary, Twin Disc, Incorporated, 1328 Racine Street, Racine, Wisconsin 53403.

SIGNATURES

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, thereunto duly authorized.

TWIN DISC, INCORPORATED

By FRED H. TIMM
- -
Fred H. Timm, Corporate Controller and
Secretary (Chief Accounting Officer)

September 22, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

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                           (    By   MICHAEL E. BATTEN
                                     - - - - - - - - - - - - - - - - - - - - - -
                           (         Michael E. Batten, Chairman,
                           (         Chief Executive Officer and Director
                           (
                           (
                           (
September 22, 1999         (    By   MICHAEL H. JOYCE
                                     - - - - - - - - - - - - - - - - - - - - - -
                           (         Michael H. Joyce, President,
                           (         Chief Operating Officer and Director
                           (
                           (
                           (
                           (    By   JAMES O. PARRISH
                                     - - - - - - - - - - - - - - - - - - - - - -
                           (         James O. Parrish, Vice President-
                           (         Finance, Treasurer and Director
                           (         (Chief Financial Officer)

                           (         Paul J. Powers, Director
                           (         Richard T. Savage, Director
September 22, 1999         (         David L. Swift, Director
                           (         John A. Mellowes, Director
                           (         George E. Wardeberg, Director
                           (         David R. Zimmer, Director
                           (
                           (
                           (    By   JAMES O. PARRISH
                                     - - - - - - - - - - - - - - - - - - - -   -
                           (         James O. Parrish, Attorney in Fact
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REPORT OF INDEPENDENT ACCOUNTANTS

(See Item 14)

Consolidated Financial Statement Schedule of Twin Disc, Incorporated and Subsidiaries

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

Our audits of the consolidated financial statements referred to in our report dated July 23, 1999 appearing on page 41 of the 1999 Annual Report to Shareholders of Twin Disc, Incorporated and Subsidiaries (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial schedule listed in the index on pages 8 and 9 of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP

Milwaukee, Wisconsin
July 23, 1999

TWIN DISC, INCORPORATED AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
for the years ended June 30, 1999, 1998 and 1997
(In thousands)

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Balance at end of Period
1999:				
Allowance for losses on accounts receivable	$ 647	$ 170	$ 283	$ 534
Reserve for inventory obsolescence	1,125	779	743	1,161
1998:				
Allowance for losses on accounts receivable	$ 538	$ 355	$ 246	$ 647
Reserve for inventory obsolescence	1,013	893	781	1,125
1997:				
Allowance for losses on accounts receivable	$ 372	$ 267	$ 101	$ 538
Reserve for inventory obsolescence	926	1,770	1,683	1,013

Accounts receivable written-off and inventory disposed of during the year and other adjustments.

EXHIBIT INDEX

Exhibit	Description	Page
3a)	Articles of Incorporation, as restated October 21, 1988 (Incorporated by reference to Exhibit 3(a) of the Company's Form 10-K for the year ended June 30, 1989).	-
b)	Corporate Bylaws, as amended through June 22, 1998 (Incorporated by reference to Exhibit 3(b) of the Company's Form 10-K for the year ended June 30, 1998).	17
4a)	Form of Rights Agreement dated as of April 17, 1998 by and between the Company and the Firstar Trust Company, as Rights Agent, with Form of Rights Certificate (Incorporated by reference to Exhibits 1 and 2 of the Company's Form 8-A dated May 4, 1998).	-
b)	Announcement of Shareholder Rights Plan per news release dated April 17, 1998 (Incorporated by reference to Exhibit 6(a), of the Company's Form 10-Q dated May 4, 1998).	-
	Material Contracts	
10a)	The 1988 Incentive Stock Option Plan (Incorporated by reference to Exhibit B of the Proxy Statement for the Annual Meeting of Shareholders held on October 21, 1988).	-
b)	The 1988 Non-Qualified Stock Option Plan for Officers, Key Employees and Directors (Incorporated by reference to Exhibit C of the Proxy Statement for the Annual Meeting of Shareholders held on October 21,1988).	-
c)	Amendment to 1988 Incentive Stock Option Plan of Twin Disc, Incorporated (Incorporated by reference to Exhibit A of the Proxy Statement for the Annual Meeting of Shareholders held on October 15, 1993).	-
d)	Amendment to 1988 Non-Qualified Incentive Stock Option Plan for Officers, Key Employees and Directors of Twin Disc, Incorporated (Incorporated by reference to Exhibit B of the Proxy Statement for the Annual Meeting of Shareholders held on October 15, 1993).	-
e)	Form of Severance Agreement for Senior Officers and form of Severance Agreement for Other Officers (Incorporated by reference to Exhibit 10(c) and (d), respectively, of the Company's Form 10-K for the year ended June 30, 1989).	-
f)	Supplemental Retirement Plan (Incorporated by reference to Exhibit 10(f) of the Company's Form 10-K for the year ended June 30, 1998).	29
g)	Director Tenure and Retirement Policy (Incorporated by reference to Exhibit 10(f) of the Company's Form 10-K for the year ended June 30, 1993).	-
h)	Form of Twin Disc, Incorporated Corporate Short Term Incentive Plan (Incorporated by reference to Exhibit 10(g) of the Company's Form 10-K for the year ended June 30, 1993).	-

EXHIBIT INDEX
(Continued)

Exhibit	Description	Page
10i)	The 1998 Incentive Compensation Plan (Incorporated by reference to Exhibit A of the Proxy Statement for the Annual Meeting of Shareholders held on October 16, 1998).	-
j)	The 1998 Stock Option Plan for Non-Employee Directors (Incorporated by reference to Exhibit B of the Proxy Statement for the Annual Meeting of Shareholders held on October 16, 1998).	-
13	Annual Report of the Registrant for the year ended June 30, 1999.	17
21	Subsidiaries of the Registrant	46
23	Consent of Independent Accountants	47
24	Power of Attorney	48
27	Financial Data Schedule for the year ended June 30, 1999	49
	Foreign Affiliate Separate Financial Statements	
99a)	Niigata Converter Co., Ltd. financial statements for the year ended March 31, 1995 prepared in accordance with Japanese Commercial Code (Incorporated by reference to Exhibit 99(a) of the Company's Form 10-K for the year ended June 30, 1995).	
b)	Niigata Converter Co., Ltd. financial statements for the year ended March 31, 1994 prepared in accordance with Japanese Commercial Code (Incorporated by reference to Exhibit 99(b) of the Company's Form 10-K for the year ended June 30, 1995).	

EXHIBIT 13

FINANCIAL HIGHLIGHTS

	1999	1998	1997
Net Sales	$168,142	$202,643	$189,942
Net Earnings (Loss)	(1,018)	9,363	7,729
Basic Earnings (Loss) Per Share	(.36)	3.30	2.78
Diluted Earnings (Loss) Per Share	(.36)	3.24	2.75
Dividends Per Share	.805	.76	.70
Average Shares Outstanding For The Year	2,834,909	2,833,663	2,781,174
Diluted Shares Outstanding For The Year	2,843,877	2,886,209	2,808,226

Sales and Earnings by Quarter

1999	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year
Net Sales	$40,625	$40,108	$41,139	$46,270	$168,142
Gross Profit	9,220	9,275	7,316	10,270	36,081
Net Earnings (Loss)	588	(291)	(1,782)	467	(1,018)
Basic Earnings (Loss) Per Share	.21	(.10)	(.63)	.16	(.36)
Diluted Earnings (Loss) Per Share	.21	(.10)	(.63)	.16	(.36)
Dividends Per Share	.21	.21	.21	.175	.805
Stock Price Range:					
High	27 3/4	24 1/4	22 3/16	20 3/16	37 3/4
Low	23 3/8	20 1/4	19	18 9/16	18 9/16

Sales and Earnings by Quarter

1998	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year
Net Sales	$47,880	$53,994	$49,029	$51,740	$202,643
Gross Profit	9,936	12,250	12,810	15,132	50,128
Net Earnings	1,356	2,116	2,384	3,507	9,363
Basic Earnings Per Share	.48	.75	.84	1.23	3.30
Diluted Earnings Per Share	.47	.73	.82	1.21	3.24
Dividends Per Share	.19	.19	.19	.19	.76
Stock Price Range:					
High	30 5/8	34 1/8	33 3/8	33 1/8	34 1/8
Low	28 1/8	29 3/8	29 15/16	32 7/16	28 1/8

Based on average shares outstanding for the period.

In thousands of dollars except per share and stock price range statistics.

Results of Operations

Net Sales, New Orders and Backlog

Revenues declined in fiscal 1999, after six consecutive years of increases. The decline was most severe at our domestic manufacturing operation, due primarily to cyclical downturns in certain markets. Order rates for our traditional products began to moderate in mid-fiscal 1998 and that, combined with the completion of a truck transmission contract in mid-year, caused the backlog of orders scheduled for shipment during the next six months to decline 29 percent to $54 million. At the end of fiscal 1999, the six-month backlog had dropped to $40 million, or 26 percent below the year earlier.

Net sales increased 7 percent in fiscal 1998 to $203 million compared with fiscal 1997, but declined 17 percent to $168 million in fiscal 1999.

Fiscal 1998 benefitted from the final six months of the truck transmissions contract as well as growth in other product markets. Principal growth markets were the pleasure craft marine market, supplied primarily from our Belgian operation, and a variety of applications for power take-offs and clutches such as irrigation, recycling, and oilfield. The 1999 sales decline resulted from weak demand in some markets, customer inventory reductions adversely impacting replacement part sales, and the absence of the truck transmission contract completed in the previous year. Most significantly, lower demand from the commercial marine market led to a 34 percent drop in domestic manufacturing sales. Other important factors in the sales decline were low oil prices; prices for commodities such as lumber and food, which were adversely affected by the Asian economic crisis; and reduced capital spending in the agricultural and construction equipment markets. Sales of lower-horsepower marine transmissions for pleasure craft also were down, causing a modest decline in sales from our Belgium plant. On the positive side, the acquisition of an Italian manufacturing company and purchase of a domestic product line, completed early in the second half of the fiscal year, provided a sales boost and slight incremental earnings in the last five months of the fiscal year. Both acquisitions provided products that strengthen our global market position in industrial products. Technodrive S.p.A adds to the lower-horsepower end of our marine transmission line and provides several complementary industrial products. We also broadened our industrial product offerings with the mechanical power take-off product line acquired from Rockford Powertrain, Inc.

Sales at our wholly-owned distribution companies varied by global region. Domestically, solid improvement in 1998 gave way to modest declines in 1999 as sales to customers serving the marine and logging markets fell off sharply. In Europe, there was improvement in both years, but less so in 1999, while sales in the Pacific Basin were down in both years due primarily to the weak Asian economies and the strong U.S. dollar. Having lost a significant customer to bankruptcy, our South African distribution subsidiary has reported lower sales in each of the last two fiscal years. As a result of that and the generally weak local economy, a plan to terminate operations at that subsidiary was approved and resulted in a $1.1 million loss provision in the fourth quarter.

The U.S. dollar strengthened in each of the last two fiscal years, but the aggregate effect in 1999 was negligible. The currencies of the countries in which Twin Disc operates were off approximately 10 percent in fiscal 1998, which equated to a negative impact of about four percent on consolidated net revenues. Price increases, implemented selectively in each year, raised revenues by approximately the rate of inflation.

At the beginning of fiscal 1998, the backlog of orders scheduled for shipment during the next six months was $76 million, about 10 percent of which was attributable to the truck transmission contract that extended through the first half of that year. With the contract completed at mid-year and order rates for traditional products declining during the second half of the year, particularly for the higher-horsepower marine transmissions, backlog at the end of fiscal 1998 dropped to $54 million. In fiscal 1999, order rates continued to decline with market demand and as a result of shortened delivery lead times. By March 1999, the six-month backlog fell another 26 percent and remained at the same $40-million level through the fourth quarter. The largest components of the decline were marine transmissions and automatic transmissions and torque converters for agricultural and construction applications.

Margins, Costs and Expenses

Although manufacturing operations have continued to achieve incremental improvements in manufacturing processes and machine utilization, lower sales rates, beginning domestically in mid-1998, lowered gross margins in 1998 and 1999.

In fiscal 1998, improved productivity at our domestic plant, coupled with greater volume in the first half of the year, provided for higher domestic margins. Production volume at our Belgian subsidiary rose during the second quarter, with the increased demand for marine transmissions favorably impacting productivity and margins. Additionally, with a portion of its sales denominated in the strong U.S. dollar, the margin at our Belgian operation showed a significant increase for the year.

The gross margin for fiscal 1999 was more than three percentage points below that of fiscal 1998, primarily because of the reduced domestic sales volume, lower productivity, and one-time separation costs in the second and third quarters. During the second fiscal quarter, there was a domestic salaried staff reduction, and in the following period, a similar program was implemented overseas along with a voluntary separation program for domestic hourly associates. The total pre-tax impact of approximately $850,000 will be recovered within one year. In Belgium the work-week was shortened utilizing a government-supported layoff program. In addition to the one-time expenses, an adverse productivity impact, primarily in the third quarter, was associated with these actions.

Marketing, engineering, and administrative (MEA) expense in terms of dollars increased by 9 percent in fiscal 1998 but rose only slightly as a percentage of sales. The principal components of the increase were a write-off resulting from the bankruptcy of a customer in South Africa, marketing and domestic engineering personnel additions, and the expenses associated with a mid-year acquisition.

In fiscal 1999, MEA expense declined 4 percent but increased sharply as a percent of the reduced sales volume. Included in the expenses for the year were severance costs associated with the second- and third-quarter reductions in domestic and Belgian salaried staff. The total pre-tax impact of approximately $350,000 will be recovered within one year.

In March 1999, we sold a portion of the investment in our Japanese affiliate, Niigata Converter Company (NICO), which resulted in a pre-tax gain of $1.4 million (discussed further in Footnote D to the consolidated financial statements), and reduced our ownership interest in NICO from 25 to 19.5 percent. Our share of NICO losses for fiscal 1999 versus modest earnings in fiscal 1998 was the cause of the year-to-year decline in the earnings of affiliates. Net other income and expense declined $1.1 million due to increased foreign exchange losses in fiscal 1999 versus a gain on the sale of land in fiscal 1998.

Interest, Taxes and Net Earnings

Short-term borrowings remained very low in fiscal 1998 and, as a result, interest expense declined about 15 percent from the prior year. In fiscal 1999, significant additional debt was incurred to finance acquisitions, and interest expense increased by almost 40 percent.

The effective income tax rates were relatively consistent through 1997 and 1998, with a slight increase in 1998 caused by a different proportion of foreign earnings, generally taxed at a higher rate, and an additional accrual for prior years. The substantial tax provision on almost breakeven pre-tax earnings in fiscal 1999 was caused by: lower tax rates on losses domestically, offset by higher rates on income overseas; and by the lack of a recordable tax benefit on the provision for loss on the closure of our South African distribution subsidiary.

Liquidity and Capital Resources

The net cash provided by operating activities in fiscal 1998 was $7 million. The positive cash flows from earnings, depreciation, and a further reduction in accounts receivable days sales outstanding (DSO) were partially offset by the higher inventory needed to satisfy demand at our Belgium subsidiary and by the prepayment of the domestic pension contribution. In fiscal 1999, with the lower sales volume we were able to generate reductions in both inventory and accounts receivable, and cash flows from operations totaled $9 million. Despite the reductions, receivable DSO increased slightly and inventory turnover declined.

For several years prior to fiscal 1998, fixed asset purchases were less than depreciation as manufacturing cells were established and existing machinery was rearranged. Expenditures for capital equipment exceeded depreciation by about $2 million in fiscal 1998 as experience helped identify the equipment needed to further improve cell performance. Due to the downturn and a desire to conserve cash, fiscal 1999 capital expenditures were reduced from plan and were about equal to depreciation and amortization. As conditions improve, we expect the level of capital spending will rise and allow further refinement of individual manufacturing cells.

After modest declines in working capital and current ratio in fiscal 1998, those two measures of liquidity and financial strength dropped significantly in fiscal 1999 due to the large increase in short-term borrowing. The increase was due to financing the acquisitions of Technodrive and Rockford with borrowings under our short-term lines of credit. At year-end, negotiations were underway to replace a portion of the short-term debt with a term revolver. The current ratio of 1.8 at June 30, 1999 (2.8 after adjusting for the higher line-of-credit debt level), was down from the 3.2 reported at the previous year-end.

The book value of the Company, and thus its reported capital structure, were reduced by a non-cash charge to equity of $11.1 million at June 30, 1999. The charge was caused primarily by using a more conservative mortality table to estimate pension liabilities and generally reflects the amount by which those liabilities exceed plan assets. In accordance with applicable accounting standards, the after-tax effect of the increased net liability was charged directly to equity and shown in comprehensive income but did not impact reported primary earnings. We do not believe the effect of the revised liability valuation will have an impact on the underlying financial strength of Twin Disc.

The Company believes the capital resources available in the form of existing cash, lines of credit (see Footnote F to the consolidated financial statements) and funds provided by operations will be adequate to meet anticipated capital expenditures and other foreseeable business requirements in the future.

Other Matters

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 alternate sources and continue its production and distribution.

It is estimated that approximately $5.5 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.

Environmental Matters

The Company is involved in various stages of investigation relative to hazardous waste sites on the United States EPA National Priorities List. It is not possible at this time to determine the ultimate outcome of those matters; but, as discussed further in Footnote N to the consolidated financial statements, they are not expected to affect materially the Company's operations, financial position or cash flows.

Note on Forward-Looking Statements

Information in this report and in other Company communications that are not historical facts are forward-looking statements, which are based on management's current expectations. These statements involve risks and uncertainties that could cause actual results to differ materially from what appears here.

Forward-looking statements include the Company's description of plans and objectives for future operations and assumptions behind those plans. The words "anticipates," "believes," "intends," "estimates," and "expects" or similar expressions, usually identify forward-looking statements. In addition, goals established by Twin Disc, Incorporated should not be viewed as guarantees or promises of future performance. There can be no assurance the Company will be successful in achieving its goals.

In addition to the assumptions and information referred to specifically in the forward-looking statements, other factors could cause actual results to be materially different from what is presented here.

TWIN DISC, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 1999 and 1998

(Dollars in thousands)	1999	1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,136	$ 5,087
Trade accounts receivable, net	27,201	28,320
Inventories	54,500	53,280
Deferred income taxes	6,004	1,987
Other	5,906	4,906
Total current assets	97,747	93,580
Property, plant and equipment, net	38,935	35,728
Investments in affiliates	6,663	8,727
Goodwill, net	15,235	1,435
Deferred income taxes	4,349	1,241
Intangible pension asset	3,385	4,082
Other assets	10,586	16,161
	$176,900	$160,954
LIABILITIES and SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 20,158	$ 276
Current maturities on long-term debt	2,857	-
Accounts payable	10,724	9,917
Accrued liabilities	21,022	19,360
Total current liabilities	54,761	29,553
Long-term debt	17,112	19,949
Accrued retirement benefits	37,567	29,457
	109,440	78,959
Shareholders' equity:		
Common shares authorized: 15,000,000; issued: 3,643,630; no par value	11,653	11,653
Retained earnings	81,430	84,738
Accumulated other comprehensive (loss) income	(8,516)	2,757
	84,567	99,148
Less treasury stock, at cost	17,107	17,153
Total shareholders' equity	67,460	81,995
	$176,900	$160,954

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

TWIN DISC, INCORPORATED and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
for the years ended June 30, 1999, 1998 and 1997

(In thousands, except per share data)

	1999	1998	1997
Net sales	$168,142	$202,643	$189,942
Cost of goods sold	132,061	152,515	146,123
Gross profit	36,081	50,128	43,819
Marketing, engineering and administrative expenses	32,755	34,092	31,219
Earnings from operations	3,326	16,036	12,600
Other income (expense):			
Interest income	237	550	1,335
Interest expense	(2,070)	(1,505)	(1,781)
Equity in net (loss) earnings of affiliates	(945)	651	307
Gain on partial sale of affiliate	1,355	-	-
Loss on closure of subsidiary	(1,140)	-	-
Other, net	(749)	313	219
	(3,312)	9	80
Earnings before income taxes	14	16,045	12,680
Income taxes	1,032	6,682	4,951
Net (loss) earnings	$ (1,018)	$ 9,363	$ 7,729
(Loss) earnings per share data:			
Basic (loss) earnings per share	$ (.36)	$ 3.30	$ 2.78
Diluted (loss) earnings per share	(.36)	3.24	2.75
Shares outstanding data:			
Average shares outstanding	2,835	2,834	2,781
Dilutive stock options	9	52	27
Diluted shares outstanding	2,844	2,886	2,808

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

TWIN DISC, INCORPORATED and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended June 30, 1999, 1998 and 1997

(In thousands)	1999	1998	1997
Cash flows from operating activities:			
Net (loss) earnings	$(1,018)	$ 9,363	$ 7,729
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	6,454	5,607	5,489
(Loss) gain on sale of plant assets	38	(402)	(127)
Gain on partial sale of affiliate	(1,355)	-	-
Loss on closure of subsidiary	1,140	-	-
Equity in net loss (earnings) of affiliates	945	(651)	(307)
Provision for deferred income taxes	-	2,873	1,481
Dividends received from affiliate	625	495	300
Changes in operating assets and liabilities:			
Trade accounts receivable, net	3,898	3,361	1,267
Inventories	3,468	(5,673)	2,882
Other assets	6,274	(7,842)	(954)
Accounts payable	(1,360)	(2,695)	3,463
Accrued liabilities	(759)	2,777	(391)
Accrued retirement benefits	(9,392)	(244)	(345)
Net cash provided by operating activities	8,958	6,969	20,487
Cash flows from investing activities:			
Proceeds from sale of plant assets	24	574	501
Acquisitions of plant assets	(6,439)	(7,154)	(4,734)
Acquisitions of businesses	(16,785)	(1,021)	-
Payment for license agreement	-	(1,515)	-
Net cash used by investing activities	(23,200)	(9,116)	(4,233)
Cash flows from financing activities:			
Increases (decreases) in notes payable, net	15,000	112	(7,182)
Proceeds from long-term debt	-	-	4
Acquisition of treasury stock	-	(1,314)	-
Proceeds from exercise of stock options	38	1,904	188
Dividends paid	(2,282)	(2,160)	(1,947)
Net cash provided (used) by financing activities	12,756	(1,458)	(8,937)
Effect of exchange rate changes on cash	535	(291)	(377)
Net change in cash and cash equivalents	(951)	(3,896)	6,940
Cash and cash equivalents:			
Beginning of year	5,087	8,983	2,043
End of year	$ 4,136	$ 5,087	$ 8,983
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	$2,037	$ 1,505	$ 1,822
Income taxes	127	4,698	3,318

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

TWIN DISC, INCORPORATED and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
AND COMPREHENSIVE INCOME
for the years ended June 30, 1999, 1998 and 1997

(In thousands)	1999	1998	1997
Common stock			
Balance, June 30	$ 11,653	$ 11,653	$ 11,653
Retained earnings			
Balance, July 1	84,738	77,424	71,658
Net (loss) earnings	(1,018)	9,363	7,729
Cash dividends	(2,282)	(2,160)	(1,947)
Stock options exercised	(8)	111	(16)
Balance, June 30	81,430	84,738	77,424
Accumulated other comprehensive (loss) income			
Balance, July 1	2,757	2,352	9,706
Foreign currency translation adjustment			
Balance, July 1	3,418	6,060	10,326
Current adjustment	(130)	(2,642)	(4,266)
Balance, June 30	3,288	3,418	6,060
Minimum pension liability adjustment, net			
Balance, July 1	(661)	(3,708)	(620)
Current adjustment, net of related income taxes ($7,125 in 1999, $(1,948)in 1998 and $1,975 in 1997)	(11,143)	3,047	(3,088)
Balance, June 30	(11,804)	(661)	(3,708)
Accumulated other comprehensive (loss) income			
Balance, June 30	(8,516)	2,757	2,352
Treasury stock, at cost			
Balance, July 1	(17,153)	(17,632)	(17,836)
Shares acquired	-	(1,314)	-
Stock options exercised	46	1,793	204
Balance, June 30	(17,107)	(17,153)	(17,632)
Shareholders' equity balance, June 30	$ 67,460	$ 81,995	$ 73,797
Comprehensive (loss) income			
Net (loss) earnings	$ (1,018)	$ 9,363	$ 7,729
Other comprehensive (loss) income			
Foreign currency translation adjustment	(130)	(2,642)	(4,266)
Minimum pension liability adjustment	(11,143)	3,047	(3,088)
Other comprehensive (loss) income	(11,273)	405	(7,354)
Comprehensive (loss) income	$(12,291)	$ 9,768	$ 375

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

A. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

Consolidation Principles--The consolidated financial statements include the accounts of Twin Disc, Incorporated and its subsidiaries, all of which are wholly owned. Certain foreign subsidiaries are included based on fiscal years ending May 31, to facilitate prompt reporting of consolidated accounts. All significant intercompany transactions have been eliminated.

Translation of Foreign Currencies--Substantially all foreign currency balance sheet accounts are translated into United States dollars at the rates of exchange prevailing at year-end. Revenues and expenses are translated at average rates of exchange in effect during the year. Foreign currency translation adjustments are recorded as a component of shareholders' equity. Gains and losses from foreign currency transactions are included in earnings.

Cash Equivalents--The Company considers all highly liquid marketable securities purchased with a maturity date of three months or less to be cash equivalents.

Receivables--Trade accounts receivable are stated net of an allowance for doubtful accounts of $534,000 and $647,000 at June 30, 1999 and 1998, respectively.

Fair Value of Financial Instruments--The carrying amount reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximates fair value because of the immediate short-term maturity of these financial instruments. The carrying amounts reported for notes receivable and long-term debt approximate fair value because the underlying instruments bear interest at, or near, a current market rate.

Derivative Financial Instruments--Derivative financial instruments (primarily forward foreign exchange contracts) may be utilized by the Company to hedge foreign exchange rate risk. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Company does not enter into financial instruments for trading or speculative purposes. For financial reporting purposes, forward foreign exchange contracts used to hedge the currency fluctuations on transactions denominated in foreign currencies are marked-to-market and the resulting gains and losses, together with the offsetting losses and gains on hedged transactions, are recorded in the "Other income (expense)" caption in the statement of operations. At June 30, 1999 and 1998, the Company had outstanding forward foreign exchange contracts to purchase $2,000,000 and $5,000,000, respectively, of Belgian francs with a weighted average maturity of 33 days and 56 days, respectively.

Inventories--Inventories are valued at the lower of cost or market. Cost has been determined by the last-in, first-out (LIFO) method for parent company inventories, and by the first-in, first-out (FIFO) method for other inventories.

Property, Plant and Equipment and Depreciation--Assets are stated at cost. Expenditures for maintenance, repairs and minor renewals are charged against earnings as incurred. Expenditures for major renewals and betterments are capitalized and amortized by depreciation charges. Depreciation is provided on the straight-line method over the estimated useful lives of the assets for financial reporting and on accelerated methods for income tax purposes. The lives assigned to buildings and related improvements range from 10 to 40 years, and the lives assigned to machinery and equipment range from 5 to 15 years. Upon disposal of property, plant and equipment, the cost of the asset and the related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in earnings. Fully depreciated assets are not removed from the accounts until physically disposed.

Investments in Affiliates--The majority of the Company's investments in 20% to 50%-owned affiliates are accounted for using the equity method. Investments in less than 20%-owned affiliates are accounted for using the cost method.

Revenue Recognition--Revenues are recognized when products are shipped.

Goodwill--Goodwill consists of costs in excess of net assets of businesses acquired. Goodwill is amortized using the straight-line method over its estimated beneficial lives, not to exceed 40 years. Subsequent to an acquisition, the Company continually evaluates whether later events and circumstances have occurred that indicate the goodwill should be evaluated for possible impairment. Goodwill at June 30, 1999 and 1998 of $15,235,000 and $1,435,000, respectively, are net of accumulated amortization of $839,000 and $518,000, respectively.

Income Taxes--The Company recognizes deferred tax liabilities and assets for the expected future income tax consequences of events that have been recognized in the Company's financial statements. Under this method, deferred tax liabilities and assets are determined based on the temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the temporary differences are expected to reverse.

The Company does not provide for taxes which would be payable if undistributed earnings of its foreign subsidiaries or its foreign affiliate were remitted because the Company either considers these earnings to be invested for an indefinite period or anticipates that if such earnings were distributed, the U.S.income taxes payable would be substantially offset by foreign tax credits.

Management Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual amounts could differ from those estimates.

Recently Issued Accounting Standards-During the first quarter of 1999, the Company adopted Statement of Financial Accounting Standards (FAS) 130 "Comprehensive Income", which establishes standards for the reporting and display of comprehensive income, as defined, and its components within the financial statements.

The Company adopted FAS 131 "Disclosures about Segments of an Enterprise and Related Information"in 1999. FAS 131 establishes new standards for the way that public companies report information about operating segments in annual financial statements (Note I).

The Company adopted FAS 132 "Employers' Disclosure about Pensions and Other Postretirement Benefits" in 1999. FAS 132 revises disclosures about pensions and other postretirement benefits (Note L).

During 1998, the Financial Accounting Standards Board (FASB) issued FAS 133 "Accounting for Derivative Instruments and Hedging Activities" which establishes standards for accounting for derivatives and hedging activities. In July 1999, the FASB issued FAS 137, "Deferral of the Effective Date of FAS 133", which delays the effective date of FAS 133 one year. As a result, FAS 133 will be effective for the Company's 2001 fiscal year. The adoption of FAS 133 is not anticipated to have a significant impact on the Company's earnings or financial position.

Reclassification--Certain reclassifications have been made to the financial statements of prior years to conform to the presentation for 1999 primarily as a result of the adoption of FAS 130, FAS 131 and FAS 132.

B. INVENTORIES

The major classes of inventories at June 30 were as follows (in thousands):

	1999	1998
Finished parts	$42,405	$43,848
Work-in-process	6,385	5,524
Raw materials	5,710	3,908
	$54,500	$53,280

Inventories stated on a LIFO basis represent approximately 35% and 33% of total inventories at June 30, 1999 and 1998, respectively. The approximate current cost of the LIFO inventories exceeded the LIFO cost by $17,936,000 and $18,252,000 at June 30, 1999 and 1998, respectively.

C. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at June 30 were as follows (in thousands):

	1999	1998
Land	$ 1,409	$ 1,295
Buildings	22,698	19,065
Machinery and equipment	95,579	92,309
	119,686	112,669
Less accumulated depreciation	80,751	76,941
	$38,935	$35,728

D. INVESTMENTS IN AFFILIATES

The Company's investments in affiliates consists of a 25% interest in a domestic distributor of Twin Disc products and an investment in Niigata Converter Company, LTD., Japan ("Niigata"), a manufacturer of power transmission equipment. In March of 1999, the Company sold a portion of its investment in Niigata in exchange for a $1.7 million note receivable due in various annual amounts commencing December 31, 2002 through December 31, 2008. The sale was a non-cash transaction for purposes of the consolidated statement of cash flows. As a result, a pre-tax gain of $1,355,000 was recognized in 1999.

Prior to the sale the Company accounted for its 25% interest in Niigata using the equity method. The Company recognized its share of Niigata's loss from April 1, 1998 through the date of sale of $1.5 million. After the sale, the Company accounted for its 19.5% interest using the cost method.

Undistributed earnings of the affiliates included in consolidated retained earnings approximated $1,713,000 and $3,283,000 at June 30, 1999 and 1998, respectively.

Combined condensed financial data for investments in affiliates accounted for under the equity method of accounting are summarized below (in thousands). The balance sheet information for 1999 includes the domestic distributor balances only and the 1998 information includes both the domestic distributor and Niigata balances. The statement of operations information for 1999 includes the domestic distributor results from June 1, 1998 through May 31, 1999 and Niigata results from April 1, 1998 through the date of sale; the 1998 information includes the domestic distributor results from June 1, 1997 through May 31, 1998 and Niigata results from April 1, 1997 through March 31, 1998.

	1999	1998
Current assets	$ 8,734	$ 78,214
Other assets	5,463	40,171
	$ 14,197	$118,385
Current liabilities	$ 6,530	$ 83,066
Other liabilities	210	412
Shareholders' equity	7,457	34,907
	$ 14,197	$118,385

	1999	1998	1997
Net sales	$116,115	$152,558	$166,171
Gross profit	13,008	20,897	19,911
Net (loss) earnings	(3,780)	2,606	1,228

E. ACCRUED LIABILITIES

Accrued liabilities at June 30 were as follows (in thousands):

	1999	1998
Salaries and wages	$ 4,522	$ 6,871
Retirement benefits	3,362	2,930
Other	13,138	9,559
	$ 21,022	$ 19,360

F. DEBT

Notes payable consists of amounts borrowed under unsecured line of credit agreements. Unused lines of credit total $14,804,000 at June 30, 1999. These lines of credit are available predominantly at the LIBOR interest rate plus 1.25% and may be withdrawn at the option of the banks. The weighted average interest rate of the lines outstanding at June 30, 1999 and 1998 was 5.88% and 6.8%, respectively.

Included in long-term debt is $20 million of 7.37% ten-year unsecured notes, net of $60,000 unamortized debt issuance costs at June 30, 1999. These notes contain certain covenants, including the maintenance of a current ratio of not less than 1.5. Principal payments of $2,857,000 are due in the years 2000 through 2005, with the remaining balance due on June 1, 2006. Also included in long-term debt is $29,000 of debt related to a foreign subsidiary.

G. LEASE COMMITMENTS

Approximate future minimum rental commitments under noncancellable operating leases are as follows (in thousands):

Fiscal Year	
2000	$2,755
2001	2,204
2002	1,404
2003	1,146
2004	605
Thereafter	613
	$8,727

Total rent expense for operating leases approximated $2,941,000, $2,571,000 and $2,254,000 in 1999, 1998 and 1997, respectively.

H. SHAREHOLDERS' EQUITY

At June 30, 1999 and 1998, treasury stock consisted of 808,446 and 810,646 shares of common stock, respectively. The Company issued 2,200 and 86,850 shares of treasury stock in 1999 and 1998, respectively, to fulfill its obligations under the stock option plans. The difference between the cost of treasury shares issued and the option price is recorded in retained earnings. The Company did not acquire any shares of treasury stock in 1999.

Cash dividends per share were $.805 in 1999, $.76 in 1998 and $.70 in 1997.

In 1998, the Company's Board of Directors established a Shareholder Rights Plan and distributed to shareholders one preferred stock purchase right for each outstanding share of common stock. Under certain circumstances, a right may be exercised to purchase one one-hundredth of a share of Series A Junior Preferred Stock at an exercise price of $160, subject to certain anti-dilution adjustments. The rights become exercisable ten (10) days after a public announcement that a party or group has either acquired at least 15% (or at least 25% in the case of existing holders who currently own 15% or more of the common stock), or commenced a tender offer for at least 25% of the Company's common stock. Generally, after the rights become exercisable, if the Company is a party to certain merger or business combination transactions, or transfers 50% or more of its assets or earnings power, or certain other events occur, each right will entitle its holders, other than the acquiring person, to buy a number of shares of common stock of the Company, or of the other party to the transaction, having a value of twice the exercise price of the right. The rights expire June 30, 2008, and may be redeemed by the Company for $.05 per right at any time until ten (10) days following the stock acquisition date. The Company is authorized to issue 200,000 shares of preferred stock, none of which have been issued. The Company has designated 50,000 shares of the preferred stock for the purpose of the Shareholder Rights Plan.

I. BUSINESS SEGMENTS AND FOREIGN OPERATIONS

The Company and its subsidiaries are engaged in the manufacture and sale of power transmission equipment. Principal products include industrial clutches, hydraulic torque converters, fluid couplings, power-shift transmissions, marine transmissions, universal joints, power take-offs and reduction gears. The Company sells to both domestic and foreign customers in a variety of market areas, principally construction, industrial, energy and natural resources, marine and agricultural.

The Company has two reportable segments: manufacturing and distribution. These segments are managed separately because each provides different services and requires different technology and marketing strategies. The accounting practices of the segments are the same as those described in the summary of significant accounting policies. Transfers among segments are at established inter-company selling prices.

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

	Manufacturing	Distribution	Total
1999			
Net sales	$156,661	$41,426	$198,087
Intra-segment sales	7,235	439	7,674
Inter-segment sales	21,545	726	22,271
Interest income	350	92	442
Interest expense	2,134	228	2,362
Income taxes	519	1,036	1,555
Depreciation and amortization	6,062	291	6,353
Segment earnings	1,147	170	1,317
Segment assets	152,251	25,448	177,699
Expenditures for segment assets	6,017	422	6,439

1998	Manufacturing	Distribution	Total
Net sales	$206,812	$46,981	$253,793
Intra-segment sales	24,358	502	24,860
Inter-segment sales	25,959	331	26,290
Interest income	626	129	755
Interest expense	1,481	229	1,710
Income taxes	6,246	1,649	7,895
Depreciation and amortization	5,244	274	5,518
Segment earnings	9,196	2,051	11,247
Segment assets	134,870	27,705	162,575
Expenditures for segment assets	6,626	528	7,154
1997			
Net sales	$189,375	$46,096	$235,471
Intra-segment sales	18,732	661	19,393
Inter-segment sales	26,002	134	26,136
Interest income	307	84	391
Interest expense	1,736	222	1,958
Income taxes	4,377	1,537	5,914
Depreciation and amortization	5,152	248	5,400
Segment earnings	6,707	2,576	9,283
Expenditures for segment assets	4,545	189	4,734

The following is a reconciliation of reportable segment net sales, earnings (loss) and assets, to the Company's consolidated totals (in thousands):

	1999	1998	1997
Net Sales			
Total net sales from reportable segments	$198,087	$253,793	$235,471
Elimination of inter-company sales	(29,945)	(51,150)	(45,529)
Total consolidated net sales	$168,142	$202,643	$189,942
Earnings (loss)			
Total earnings (loss) from reportable segments	$ 1,317	$ 11,247	$ 9,283
Other corporate expenses	(2,335)	(1,884)	(1,554)
Total consolidated net earnings (loss)	$ (1,018)	$ 9,363	$ 7,729
Assets			
Total assets for reportable segments	$177,699	$162,575	
Elimination of inter-company assets	(15,871)	(13,570)	
Corporate assets	15,072	11,949	
Total consolidated assets	$176,900	$160,954	

Other significant items:

1999	Segment Totals	Adjustments	Consolidated Totals
Interest income	$ 442	$ (205)	$ 237
Interest expense	2,362	(292)	2,070
Income taxes	1,555	(523)	1,032
Depreciation and amortization	6,353	101	6,454
Expenditures for segment assets	6,439	-	6,439
1998			
Interest income	$ 755	$ (205)	$ 550
Interest expense	1,710	(205)	1,505
Income taxes	7,895	(1,213)	6,682
Depreciation and amortization	5,518	89	5,607
Expenditures for segment assets	7,154	-	7,154

1997			
Interest income	$ 391	$ 944	$ 1,335
Interest expense	1,958	(177)	1,781
Income taxes	5,914	(963)	4,951
Depreciation and amortization	5,400	89	5,489
Expenditures for segment assets	4,734	-	4,734

All adjustments represent inter-company eliminations and corporate amounts.

Geographic information about the Company is summarized as follows (in thousands):

	1999	1998	1997
Net sales			
United States	$106,051	$133,193	$117,965
Other countries	62,091	69,450	71,977
Total	$168,142	$202,643	$189,942
Long-lived assets			
United States	$ 65,540	$ 58,124	
Belgium	10,362	9,578	
Other countries	6,086	285	
Elimination of inter-company assets	(7,184)	(1,854)	
Total	$ 74,804	$ 66,133	

Included in earnings are foreign currency transaction gains (losses) of $(682,000), $(343,000) and $334,000 in 1999, 1998 and 1997, respectively.

Two customers each accounted for approximately 8%, 11% and 11% of consolidated net sales in 1999, 1998 and 1997, respectively.

J. STOCK OPTION PLANS

During fiscal 1999, the Company adopted the Twin Disc, Incorporated 1998 Stock Option Plan for Non-Employee Directors, a non-qualified plan, for non-employee directors to purchase up to 35,000 shares of common stock, and the Twin Disc, Incorporated 1998 Incentive Compensation Plan, a plan, where options are determined to be non-qualified or incentive at the date of grant, for officers and key employees to purchase up to 165,000 shares of common stock. The plans are administered by the Executive Selection and Compensation Committee of the Board of Directors which has the authority to determine which officers and key employees will be granted options. The grant of options to non-employee directors is fixed at options to purchase 1,000 shares of common stock per year or 600 at time of appointment. Except as described in the following sentence, all options allow for exercise prices not less than the grant date fair market value, immediately vest and expire ten years after the date of grant. For options under the Incentive Compensation Plan, if the optionee owns more than 10% of the total combined voting power of all classes of the Company's stock, the price will be not less than 110% of the grant date fair market value and the options expire five years after the grant date. In addition, the Company has 128,900 incentive stock option plan options and 76,450 non-qualified stock option plan options outstanding at June 30, 1999 under the Twin Disc, Incorporated 1988 Incentive Stock Option plan and the Twin Disc, Incorporated 1988 Non-Qualified Stock Option Plan for Officers, Key Employees and Directors, respectively. The plans terminated during the year.

Shares available for future options as of June 30 were as follows:

	1999	1998
1998 Stock Option Plan for Non-Employee Directors	29,000	-
1998 Incentive Compensation Plan	159,500	-
1988 Non-Qualified Stock Option Plan for Officers, Key Employees and Directors	-	10,850
1988 Incentive Stock Option Plan	-	30,550

Stock option transactions under the plans during 1999, 1998 and 1997 were as follows:

	1999	Weighted Average Price	1998	Weighted Average Price	1997	Weighted Average Price
Non-qualified stock options:						
Options outstanding at beginning of year	80,500	$22.50	94,150	$21.71	95,350	$21.69
Granted	19,000	24.69	13,100	28.75	15,100	21.88
Cancelled	(14,700)	25.08	-	-	(10,400)	23.32
Exercised	(200)	26.00	(26,750)	22.81	(5,900)	19.03
Options outstanding at June 30	84,600	$22.55	80,500	$22.50	94,150	$21.71

Options price range ($14.00 - $20.00)	
Number of shares	31,300
Weighted average price	$19.10
Weighted average remaining life	4.90 years
Options price range ($20.875 - $28.75)	
Number of shares	53,300
Weighted average price	$24.58
Weighted average remaining life	7.02 years

	1999	Weighted Average Price	1998	Weighted Average Price	1997	Weighted Average Price
Incentive stock options:						
Options outstanding at beginning of year	124,300	$23.57	161,550	$21.60	151,450	$21.52
Granted	33,900	25.80	29,900	29.18	24,250	22.05
Cancelled	(23,950)	26.58	(7,050)	20.15	(10,150)	22.57
Exercised	(2,000)	16.63	(60,100)	21.53	(4,000)	18.81
Options outstanding at June 30	132,250	$23.70	124,300	$23.57	161,550	$21.60

Options price range ($14.00 - $20.00)	
Number of shares	34,100
Weighted average price	$18.87
Weighted average remaining life	4.82 years
Options price range ($20.875 - $28.75)	
Number of shares	92,650
Weighted average price	$24.99
Weighted average remaining life	7.48 years

Options price range
($31.625 - $32.25)

Number of shares	5,500
Weighted average price	$31.74
Weighted average remaining life	9.00 years

The Company accounts for its stock option plans under the guidelines of Accounting Principles Board Opinion No. 25. Accordingly, no compensation cost has been recognized in the statement of operations. Had the Company recognized compensation expense determined based on the fair value at the grant date for awards under the plans, consistent with the method prescribed by FAS 123, the net earnings and earnings per share would have been as follows (in thousands, except per share amounts):

	1999	1998	1997
Net earnings (loss)			
As reported	$(1,018)	$9,363	$7,729
Pro forma	(1,277)	9,125	7,554
Basic earnings (loss) per share			
As reported	$ (.36)	$ 3.30	$ 2.78
Pro forma	(.45)	3.22	2.72
Diluted earnings (loss) per share			
As reported	$ (.36)	$ 3.24	$ 2.75
Pro forma	(.45)	3.16	2.69

The above pro forma net earnings and earnings per share were computed using the fair value of options at the date of grant (for options granted after June 1995) as calculated by the Black-Scholes option-pricing method and the following assumptions: 19% volatility, 2.5% annual dividend yield, interest rates based on expected terms and grant dates, a 5 year term and an exercise price equal to the fair market value on the date of grant except for incentive options granted to greater than 10% shareholders which are calculated using a 3 year term and an exercise price equal to 110% of the fair market value on the date of grant. For those options granted during 1999, 1998 and 1997 with exercise prices equal to the grant date fair market value, the exercise prices and weighted average fair values of the options were $25.26 and $5.02 in 1999, $28.75 and $5.81 in 1998 and $21.88 and $4.61 in 1997, respectively. For those options granted with exercise prices greater than the grant date fair market value, the exercise prices and weighted average fair values of the options were $28.08 and $2.71 in 1999, $31.63 and $3.26 in 1998, $24.06 and $2.69 in 1997, respectively.

K. ENGINEERING AND DEVELOPMENT COSTS

Engineering and development costs include research and development expenses for new products, development and major improvements to existing products, and other charges for ongoing efforts to refine existing products. Research and development costs charged to operations totaled $2,505,000, $3,104,000 and $3,050,000 in 1999, 1998 and 1997, respectively. Total engineering and development costs were $7,829,000, $8,833,000 and $8,288,000 in 1999, 1998 and 1997, respectively.

L. RETIREMENT PLANS

The Company has noncontributory, qualified defined benefit pension plans covering substantially all domestic employees and certain foreign employees. Domestic plan benefits are based on years of service, and, for salaried employees, on average compensation for benefits earned prior to January 1, 1997 and on a cash balance plan for benefits earned after January 1, 1997. The Company's funding policy for the plans covering domestic employees is to contribute an actuarially determined amount which falls between the minimum and maximum amount that can be contributed for federal income tax purposes. Domestic plan assets consist principally of listed equity and fixed income securities.

In addition, the Company has unfunded, non-qualified retirement plans for certain management employees and directors. Benefits are based on final average compensation and vest upon retirement from the Company.

In addition to providing pension benefits, the Company provides health care and life insurance benefits for certain domestic retirees. All employees retiring after December 31, 1992, and electing to continue coverage through the Company's group plan, are required to pay 100% of the premium cost.

The following table sets forth the Company's defined benefit pension plans' and other postretirement benefit plan's funded status and the amounts recognized in the Company's balance sheets and income statements as of June 30 (dollars in thousands):

	Pension Benefits		Other Post retirement Benefits	
	1999	1998	1999	1998
Change in benefit obligation:				
Benefit obligation, beginning of year	$104,156	$ 94,479	$ 28,619	$ 27,321
Service cost	1,517	1,328	23	21
Interest cost	7,254	7,235	1,978	2,152
Actuarial loss	11,384	8,835	4,548	1,558
Benefits paid	(8,446)	(7,721)	(2,419)	(2,433)
Benefit obligation, end of year	$115,865	$104,156	$ 32,749	$ 28,619
Change in plan assets:				
Fair value of assets, beginning of year	$100,265	$ 76,661	$ -	$ -
Actual return on plan assets	4,279	20,525	-	-
Employer contribution	2,185	10,800	2,419	2,433
Benefits paid	(8,446)	(7,721)	(2,419)	(2,433)
Fair value of assets, end of year	$ 98,283	$100,265	$ -	$ -
Funded status	$(17,582)	$ (3,891)	$(32,749)	$(28,619)
Unrecognized net transition obligation	836	1,043	-	-
Unrecognized actuarial loss	19,972	4,147	8,755	4,397
Unrecognized prior service cost	3,167	3,839	-	-
Net amount recognized	$ 6,393	$ 5,138	$(23,994)	$(24,222)
Amounts recognized in the balance sheet consist of:				
Prepaid benefit cost	$ -	$ 8,031	$ -	$ -
Accrued benefit liability	(16,343)	(8,058)	(23,994)	(24,222)
Intangible asset	3,385	4,082	-	-
Deferred tax asset	7,547	422	-	-
Minimum pension liability adjustment	11,804	661	-	-
Net amount recognized	$ 6,393	$ 5,138	$(23,994)	$(24,222)

Weighted average assumptions as of June 30:				
Discount rate	7.25%	7.25%	7.25%	7.25%
Expected return on plan assets	9.00%	9.00%		
Rate of compensation increase	5.00%	4.50%		

	Pension Benefits		
	1999	1998	1997
Service cost	$ 1,517	$ 1,328	$ 1,751
Interest cost	7,254	7,235	7,217
Expected return on plan assets	(8,617)	(6,750)	(5,312)
Amortization of prior service cost	672	672	995
Amortization of transition obligation	183	185	187
Recognized net actuarial loss (gain)	102	92	(1,329)
Net periodic benefit cost	$ 1,111	$ 2,762	$ 3,509

	Postretirement Benefits		
	1999	1998	1997
Service cost	$ 23	$ 21	$ 27
Interest cost	1,978	2,153	2,128
Expected return on plan assets	-	-	-
Amortization of prior service cost	-	-	-
Amortization of transition obligation	-	-	-
Recognized net actuarial loss	399	205	138
Net periodic benefit cost	$ 2,400	$ 2,379	$ 2,293

Effective January 1, 1998, the Company changed certain of its actuarial assumptions including the mortality table used and the assumed retirement age for the defined benefit plans and the postretirement plan. The changes resulted in an increase to the benefit obligation and unrecognized actuarial loss of approximately $10 million.

Effective as of January 1, 1997, the Twin Disc, Incorporated Retirement Plan for Salaried Employees was amended to freeze the benefit formula in effect prior to January 1, 1997 and to change the formula for benefit accruals to a cash balance pension plan. The effect of this change was to decrease the unrecognized prior service cost by $4.2 million.

The pension plans held 62,402 and 62,402 shares of Company stock with a fair market value of $1,252,000 and $1,888,000 at June 30, 1999 and 1998, respectively.

The assumed weighted average health care cost trend rate was 6% in fiscal year 1999 and remains constant thereafter. A 1% increase in the assumed health care cost trend would increase the accumulated postretirement benefit obligation by approximately $2.3 million and the interest cost by approximately $140,000. A 1% decrease in the assumed health care cost trend would decrease the accumulated postretirement benefit obligation by approximately $2.1 million and the interest cost by approximately $130,000.

The Company sponsors defined contribution plans covering substantially all domestic employees and certain foreign employees. These plans provide for employer contributions based primarily on employee participation. The total expense under the plans was $1,572,000, $1,582,000 and $1,487,000 in 1999, 1998 and 1997, respectively.

M. INCOME TAXES

United States and foreign earnings (loss) before income taxes were as follows (in thousands):

	1999	1998	1997
United States	$(3,555)	$ 7,944	$ 6,009
Foreign	3,569	8,101	6,671
	$ 14	$16,045	$12,680

The provision (credit) for income taxes is comprised of the following (in thousands):

	1999	1998	1997
Currently payable:			
Federal	$(1,376)	$ 154	$ 913
State	49	114	100
Foreign	2,359	3,541	2,457
	1,032	3,809	3,470
Deferred:			
Federal	402	2,582	1,559
State	(292)	183	(51)
Foreign	(110)	108	(27)
	-	2,873	1,481
	$ 1,032	$ 6,682	$ 4,951

The components of the net deferred tax asset as of June 30, were as follows (in thousands):

	1999	1998
Deferred tax assets:		
Retirement plans and employee benefits	$12,826	$ 8,074
Alternative minimum tax credit carryforwards	599	143
Foreign tax credit carryforwards	1,968	250
State net operating loss and other state credit carryforwards	1,075	-
Research credit carryforwards	135	-
Other	2,581	3,039
	19,184	11,506
Deferred tax liabilities:		
Property, plant and equipment	6,182	5,488
Other	2,649	2,790
	8,831	8,278
Total net deferred tax assets	$10,353	$3,228

Following is a reconciliation of the applicable U.S. federal income taxes to the actual income taxes reflected in the statements of operations:

	1999	1998	1997
U.S. federal income tax at 34%	$ 5	$5,455	$4,311
Increases (reductions) in tax resulting from:			
Foreign tax items	463	173	30
Accrual for prior years	74	705	470
Other, net	490	349	140
	$1,032	$6,682	$4,951

N. 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 June 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.

O. ACQUISITIONS

In January 1999, the Company purchased the mechanical power take-off product business from Rockford Powertrain, Inc. for approximately $13.5 million. This transaction was accounted for using the purchase method of accounting and resulted in goodwill of approximately $11 million which is being amortized over 30 years. In February 1999, the Company purchased Technodrive S.p.A of Decima, Italy for approximately $3.9 million, net of cash acquired of $700,000. This transaction was accounted for using the purchase method of accounting and resulted in goodwill of approximately $2.9 million which is being amortized over 25 years. Technodrive manufactures industrial power take-offs, clutches, hydraulic pump mount drives and marine transmissions. The pro forma affects of the acquisitions are not significant to the net sales, net (loss) earnings, and earnings per share amounts reported in the financial statements.

P. CLOSURE OF SUBSIDIARY

In June 1999, the Company approved a plan to terminate operations at its South African subsidiary, Twin Disc (South Africa) Pty. Ltd, early in fiscal 2000. The Company has recorded a loss of $1,140,000 related to the termination of operations, which consists primarily of the recognition of cumulative translation losses of $829,000 with the remaining amounts related to disposals of inventories and fixed assets, and severance benefits. The results of the subsidiary's operations through June 30, 1999 are included in the consolidated financial statements.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders
Twin Disc, Incorporated
Racine, Wisconsin

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in shareholders' equity and comprehensive income and cash flows present fairly, in all material respects, the financial position of Twin Disc, Incorporated and Subsidiaries at June 30, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1999, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Milwaukee, Wisconsin
July 23, 1999

FINANCIAL SUMMARY

(In thousands of dollars, except where noted)	1999	1998	1997	1996	1995
Statement of Operations					
Net sales	$168,142	$202,643	$189,942	$176,657	$164,232
Costs and expenses, including marketing, engineering and administrative	164,816	186,607	177,342	164,486	154,347
Earnings from operations	3,326	16,036	12,600	12,171	9,885
Other income (expense)	(3,312)	9	80	(1,264)	(1,301)
Earnings before income taxes	14	16,045	12,680	10,907	8,584
Income taxes	1,032	6,682	4,951	4,348	2,912
Net earnings (loss)	(1,018)	9,363	7,729	6,559	5,672
Balance Sheet					
Assets					
Cash and equivalents	4,136	5,087	8,983	2,043	3,741
Receivables, net	27.201	28,320	32,428	34,917	29,247
Inventories	54,500	53,280	47,844	51,083	47,157
Other current assets	11,910	6,893	8,707	8,597	10,345
Total current assets	97,747	93,580	97,962	96,640	90,490
Investments and other assets	40,218	31,646	26,544	30,344	30,463
Fixed assets less accumulated depreciation	38,935	35,728	34,249	35,715	37,348
Total assets	176,900	160,954	158,755	162,699	158,301
Liabilities and Shareholders' Equity					
Current liabilities	54,761	29,553	29,621	34,002	36,852
Long-term debt	17,112	19,949	19,944	19,938	14,000
Deferred liabilities	37,567	29,457	35,393	33,578	32,827
Shareholders' equity	67,460	81,995	73,797	75,181	74,622
Total liabilities and shareholders' equity	176,900	160,954	158,755	162,699	158,301

FINANCIAL SUMMARY (CONTINUED)

(In thousands of dollars, except where noted)

	1999	1998	1997	1996	1995
Comparative Financial Information					
Per share statistics					
Basic earnings (loss)	(.36)	3.30	2.78	2.36	2.03
Diluted earnings (loss)	(.36)	3.24	2.75	2.34	2.02
Dividends	.805	.76	.70	.70	.70
Shareholders' equity	23.79	28.94	26.48	27.07	26.75
Return on equity	(1.5%)	11.4%	10.5%	8.7%	7.6%
Return on assets	(.6%)	5.8%	4.9%	4.0%	3.6%
Return on sales	(.6%)	4.6%	4.1%	3.7%	3.5%
Average shares outstanding	2,834,909	2,833,663	2,781,174	2,776,805	2,790,111
Diluted shares outstanding	2,843,877	2,886,209	2,808,226	2,805,123	2,812,703
Number of shareholder accounts	1,138	774	845	913	996
Number of employees	1,029	1,078	1,081	1,080	1,097
Additions to plant and equipment	6,439	7,154	4,734	4,140	4,290
Depreciation	5,648	5,205	5,141	5,071	4,792
Net working capital	42,986	64,027	68,341	62,638	53,638

DIRECTORS

MICHAEL E. BATTEN
Chaiman, Chief Executive Officer
MICHAEL H. JOYCE
President, Chief Operating Officer
JAMES O. PARRISH
Vice President-Finance & Treasurer
JOHN A. MELLOWES
Chairman and Chief Executive Officer, Charter Manufacturing Co., (A privately held producer of bar, rod wire and wire parts), Mequon, Wisconsin
PAUL J. POWERS
Chairman, President-Chief Executive Officer, Commercial Intertech Corp., (Manufacturer of Hydraulic Components, Fluid Purification Products, Pre-Engineered Buildings and Stamped Metal Products), Youngstown, Ohio
RICHARD T. SAVAGE
Chairman and retired President-Chief Executive Officer, Modine Manufacturing Company, (Manufacturer of Heat Exchange Equipment), Racine, Wisconsin
DAVID L. SWIFT
Retired Chairman, President-Chief Executive Officer, Acme-Cleveland Corporation, (Manufacturer of Diversified Industrial Products), Pepper Pike, Ohio
GEORGE E. WARDEBERG
Chairman, Chief Executive Officer, WICOR, Inc. (Parent Company of Wisconsin Gas Company, Sta-Rite Industries, Shurflo Pump Manufacturing and Hypro Corporation), Milwaukee, Wisconsin
DAVID R. ZIMMER
Former Executive Vice President-Operations, United Dominion Industries, (Manufacturer of Diversified Engineered Products), Charlotte, North Carolina

OFFICERS

MICHAEL E. BATTEN
Chairman, Chief Executive Officer
MICHAEL H. JOYCE
President, Chief Operating Officer
JAMES O. PARRISH
Vice President-Finance & Treasurer
HENRI CLAUDE FABRY
Vice President-Marine and Distribution
LANCE J. MELIK
Vice President-Corporate Development
Vice President-Transmission and Industrial Products
FRED H. TIMM
Corporate Controller & Secretary
PAUL A. PELLIGRINO
Vice President-Engineering
ARTHUR A. ZINTEK
Vice President-Human Resources

CORPORATE DATA

ANNUAL MEETING

Twin Disc Corporate Offices, Racine, WI, 2:00 PM, October 15, 1999

SHARES TRADED

New York Stock Exchange: Symbol TDI

ANNUAL REPORT ON SECURITIES AND EXCHANGE COMMISSION FORM 10-K

SINGLE COPIES OF THE COMPANY'S 1999 ANNUAL REPORT ON SECURITIES AND EXCHANGE COMMISSION FORM 10-K WILL BE PROVIDED WITHOUT CHARGE TO SHAREHOLDERS AFTER SEPTEMBER 30, 1999, UPON WRITTEN REQUEST DIRECTED TO THE SECRETARY, TWIN DISC, INCORPORATED, 1328 RACINE STREET, RACINE, WISCONSIN 53403.

TRANSFER AGENT & REGISTRAR

Firstar Trust Company, Milwaukee, Wisconsin

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP, Milwaukee, Wisconsin

GENERAL COUNSEL

von Briesen, Purtell, & Roper,s.c., Milwaukee, Wisconsin

CORPORATE OFFICES

Twin Disc, Incorporated, Racine, Wisconsin 53403, Telephone: (414) 638-4000

WHOLLY OWNED SUBSIDIARIES

Twin Disc International S.A., Nivelles, Belgium
Twin Disc Spain, S.A., Madrid, Spain
Twin Disc Italia S.R.L., Viareggio, Italy
Technodrive S.p.A, Decima, Italy
Twin Disc (Pacific) Pty. Ltd., Brisbane, Queensland, Australia
Twin Disc (Far East) Ltd., Singapore
Twin Disc (South Africa) Pty. Ltd., Johannesburg, South Africa
Mill-Log Equipment Co., Inc., Coburg, Oregon
Southern Diesel Systems Inc., Miami, Florida
TD Electronics, Inc., Loves Park, Illinois

MANUFACTURING FACILITIES

Racine, Wisconsin; Nivelles, Belgium; Decima, Italy

SALES OFFICES

DOMESTIC

Racine, Wisconsin; Coburg, Oregon; Seattle, Washington; Miami, Florida; Jacksonville, Florida

OVERSEAS

Nivelles, Belgium; Brisbane and Perth Australia; Singapore; Johannesburg, South Africa; Madrid, Spain; Viareggio, Italy; Decima, Italy; Chambery France

MANUFACTURING LICENSES

Niigata Converter Company, Ltd., Tokyo, Japan; Transfluid S.R.L., Milan, Italy; Nakamura Jico Co. Ltd., Tokyo, Japan; Hindustan Motors, Ltd., Madras, India

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

Twin Disc, Incorporated, the registrant (a Wisconsin Corporation) owns 100% of the following subsidiaries:

1. Twin Disc International, S.A. (a Belgian corporation)

2. Twin Disc Spain, S.A. (a Spanish corporation)

3. Twin Disc Italia S.R.L. (an Italian corporation)

4. Twin Disc (Pacific) Pty. Ltd. (an Australian corporation)

5. Twin Disc (Far East) Ltd. (a Delaware corporation operating in Singapore and Hong Kong)

6. Twin Disc (South Africa) Pty. Ltd. (a South African corporation)

7. Mill-Log Equipment Co., Inc. (an Oregon corporation)

8. Southern Diesel Systems Inc. (a Florida corporation)

9. TD Electronics, Inc. (a Wisconsin corporation)

10. Technodrive S.p.A. (an Italian corporation)

The registrant has no parent nor any other subsidiaries. All of the above subsidiaries are included in the consolidated financial statements.

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation 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) of our reports dated July 23, 1999, on our audits of the consolidated financial statements and financial statement schedule of Twin Disc, Incorporated as of June 30, 1999 and 1998 and for the years ended June 30, 1999, 1998 and 1997, which reports are included (or incorporated by reference) in this Annual Report on Form 10-K.

PricewaterhouseCoopers LLP

Milwaukee, Wisconsin
September 22, 1999

EXHIBIT 24

POWER OF ATTORNEY

The undersigned directors of Twin Disc, Incorporated hereby severally constitute Michael E. Batten and James O. Parrish , and each of them singly, true and lawful attorneys with full power to them, and each of them, singly, to sign for us and in our names as directors the Form 10-K Annual Report for the fiscal year ended June 30, 1999 pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, and generally do all such things in our names and behalf as directors to enable Twin Disc, Incorporated to comply with the provisions of the Securities and Exchange Act of 1934 and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures so they may be signed by our attorneys, or either of them, as set forth below.

PAUL J. POWERS Paul J. Powers, Director	
RICHARD T. SAVAGE Richard T. Savage, Director	
DAVID L. SWIFT David L. Swift, Director	July 30, 1999
JOHN A. MELLOWES John A. Mellowes, Director	
GEORGE E. WARDEBERG George E. Wardeberg, Director	
DAVID R. ZIMMER David R. Zimmer, Director	

5
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION
EXTRACTED FROM
THE CONSOLIDATED FINANCIAL STATEMENTS OF TWIN DISC, INCORPORATED
AND
SUBSIDIARIES SET FORTH IN THE ANNUAL REPORT TO SHAREHOLDERS FOR THE
YEAR ENDED
JUNE 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH
FINANCIAL
STATEMENTS.

1,000

YEAR
JUN-30-1999
JUN-30-1999
4,136
0
27,735
534
54,500
97,747
119,686
80,751
176,900
54,761
17,112
11,653
0
0
55,807
176,900
168,142
168,142
132,061
132,061
32,755
0
2,070
14
1,032
(1,018)
0
0
0
(1,018)
(.36)
(.36)