SECURITIES AND EXCHANGE COMMISSION
WASHINGTON
Form 10-Q

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

For the quarter ended March 31, 2000   Commission File Number 1-7635

TWIN DISC, INCORPORATED

(Exact name of registrant as specified in its charter)

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

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

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

At March 31, 2000, the registrant had 2,809,890 shares of its common stock outstanding.

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31 2000	June 30 1999
Assets		
Current assets:		
Cash and cash equivalents	$ 8,481	$ 4,136
Trade accounts receivable, net	31,598	27,201
Inventories	52,772	54,500
Deferred income taxes	6,004	6,004
Other	6,029	5,906
Total current assets	104,884	97,747
Property, plant and equipment, net	35,508	38,935
Investments in affiliates	6,864	6,663
Deferred income taxes	4,526	4,349
Intangible pension asset	3,385	3,385
Other assets	24,721	25,821
	$179,888	$176,900
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	$ 8,573	$ 23,015
Accounts payable	14,900	10,724
Accrued liabilities	21,670	21,022
Total current liabilities	45,143	54,761
Long-term debt	35,116	17,112
Accrued retirement benefits	34,671	37,567
	114,930	109,440
Shareholders' Equity:		
Common stock	11,653	11,653
Retained earnings	81,464	81,430
Accumulated other comprehensive loss	(10,712)	(8,516)
	82,405	84,567
Less treasury stock, at cost	17,447	17,107
Total shareholders' equity	64,958	67,460
	$179,888	$176,900

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

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31		Nine Months Ended March 31	
	2000	1999	2000	1999
Net sales	$49,467	$41,139	$129,087	$121,872
Cost of goods sold	37,877	33,823	100,688	96,061
	11,590	7,316	28,399	25,811
Marketing, engineering and administrative expenses	8,034	8,488	23,918	25,303
Interest expense	777	573	2,261	1,325
Other (income) expense, net	(542)	273	(894)	304
	8,269	9,334	25,285	26,932
Earnings (loss) before income taxes	3,321	(2,018)	3,114	(1,121)
Income taxes	1,595	(236)	1,592	364
Net earnings (loss)	$ 1,726	($ 1,782)	$ 1,522	($ 1,485)
Dividends per share	$ 0.175	$ 0.21	$ 0.525	$ 0.63
Earnings per share data:				
Basic earnings (loss) per share	$ 0.61	($ 0.63)	$ 0.54	($ 0.52)
Diluted earnings (loss)per share	$ 0.61	($ 0.63)	$ 0.54	($ 0.52)
Shares outstanding data:				
Average shares outstanding	2,811	2,835	2,824	2,835
Dilutive stock options	0	4	0	13
Diluted shares outstanding	2,811	2,839	2,824	2,848
Comprehensive income:				
Net earnings (loss)	$ 1,726	($ 1,782)	$ 1,522	($ 1,485)
Other comprehensive income:				
Foreign currency translation adjustment	(1,326)	(1,942)	(2,196)	(387)
Comprehensive income (loss)	$ 400	($ 3,724)	($ 674)	($ 1,872)

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended March 31 2000	1999
Cash flows from operating activities:		
Net earnings (loss)	$ 1,522	($ 1,485)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	5,120	4,654
Loss on sale of fixed assets	6	35
Gain on partial sale of affiliate	0	(1,371)
Equity in (earnings)loss of affiliates	(701)	1,191
Dividends received from affiliate	500	625
Net change in working capital, excluding cash and debt, and other	(725)	4,334
	5,722	7,983
Cash flows from investing activities:		
Acquisitions of fixed assets	(1,679)	(4,873)
Proceeds from sale of fixed assets	90	17
Business acquisitions	0	(16,340)
	(1,589)	(21,196)
Cash flows from financing activities:		
Increase in notes payable, net	2,308	14,721
Treasury stock activity	(340)	38
Dividends paid	(1,488)	(1,786)
	480	12,973
Effect of exchange rate changes on cash	(268)	(112)
Net change in cash and cash equivalents	4,345	(352)
Cash and cash equivalents:		
Beginning of period	4,136	5,087
End of period	$8,481	$4,735

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

A. Basis of Presentation

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

B. Inventory

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

	March 31 2000	June 30 1999
Inventories:		
Finished parts	$42,056	$42,405
Work in process	6,594	6,385
Raw materials	4,122	5,710
	$52,772	$54,500

C. Contingencies

The Company is involved in various stages of investigation relative to hazardous waste sites, two of which are on the United States EPA National Priorities List (Superfund sites). The Company's assigned responsibility at each of the Superfund sites is less than 2%. The Company has also been requested to provide administrative information related to two other potential Superfund sites but has not yet been identified as a potentially responsible party. Additionally, the Company is subject to certain product liability matters in the normal course of business.

At March 31, 2000 the Company has accrued approximately $1,050,000, which represents management's best estimate available for possible losses related to these contingencies. This amount has been provided over the past several years. Based on the information available, the Company does not expect that any unrecorded liability related to these matters would materially affect the consolidated financial position, results of operations or cash flows.

D. BUSINESS SEGMENTS

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

	Three Months Ended March 31		Nine Months Ended March 31	
	2000	1999	2000	1999
Manufacturing segment sales	$48,026	$37,032	$120,239	$113,283
Distribution segment sales	12,052	10,459	34,300	30,825
Inter/Intra segment sales	(10,611)	(6,352)	(25,452)	(22,236)
Net sales	$49,467	$41,139	$129,087	$121,872
Manufacturing segment earnings(loss)	$ 2,855	($ 1,578)	$ 1,840	($ 155)
Distribution segment earnings	727	539	2,120	1,682

Inter/Intra segment earnings (loss)	(261)	(979)	(846)	(2,648)
Pretax earnings (loss)	$ 3,321	($ 2,018)	$ 3,114	($ 1,121)

Assets	March 31, 2000	June 30, 1999
Manufacturing segment assets	$153,631	$152,251
Distribution segment assets	26,766	25,448
Corporate assets and elimination of inter-company assets	(509)	(799)
	$179,888	$176,900

MANAGEMENT DISCUSSION AND ANALYSIS

Third-quarter net sales were up from the previous quarter and more than 20 percent ahead of the same three-month period a year ago. More importantly, net earnings were more than double those of the second fiscal quarter and represent a marked turnaround from the quarterly loss reported last year.

The largest component of the revenue increase, both in terms of dollars and percent improvement, was contributed by our domestic manufacturing operation. Resurgence in demand for transmissions used in commercial marine applications and improved service parts sales were among the main components of the improvement. Also contributing were higher sales of power take-offs for irrigation and other industrial applications and power-shift transmissions for four-wheel drive and all-wheel drive vehicles. The power take-off surge was due primarily to market demand but also included new volume from the product line acquisition made in last year's third fiscal quarter. Sales increases of a lesser magnitude also were reported by our Belgian manufacturing operation as strong demand for pleasure craft marine transmissions offset some softness in marine control drives. Our Italian subsidiary, acquired in February 1999, contributed to Twin Disc for the full fiscal quarter this year and supported the improvement.

Sales and earnings of most of our marketing subsidiaries were up from a year ago with the most significant improvements reported by our operations in Singapore, Australia, and Italy. While continued strengthening of the dollar, especially in Europe, adversely impacts our competitive position and reported sales gains from the offshore subsidiaries, dollar denominated sales from Belgium have had a positive offsetting effect on margins.

The gross margin for the quarter rose to 23 percent, a modest improvement over the previous quarter and well ahead of last year. Last year's third fiscal quarter margin was unusually low as a result of workforce restructuring expense, reduced productivity and lower production volume. This year, the productivity of both domestic and overseas manufacturing operations has improved, and that improvement coupled with the higher level of activity provided the higher margin. As noted in last year's third-quarter report, the restructuring costs included in both manufacturing and administrative expenses accounted for about one-third of the after-tax loss.

Marketing, engineering and administrative expense was down from last year despite a full fiscal quarter of expenses associated with the Italian acquisition mentioned previously. Interest expense was down slightly from the second quarter but was about 36 percent higher than a year ago due to the higher, acquisition-related debt level and an increase in the average domestic interest rate over the past year. Other income and expense for the recently completed quarter was favorable compared with last year due to improved affiliate earnings and the absence of currency exchange losses present in the year-ago results. While individual country tax rates were unchanged, the effective consolidated rate remains high due to the mix of domestic losses incurred during the fiscal year and overseas earnings, which are taxed at a higher rate. A year ago, the effective rate was unusually low due to the tax treatment of our Japanese affiliate's losses.

Working capital, at $60 million, was comparable to the previous quarter but much greater than at the prior fiscal year-end. The increase was caused by restructuring much of the current borrowings at year-end to long-term debt during the first fiscal quarter. Accounts receivable were up from the previous quarter as a result of increased sales, while inventory declined by more than $2 million as turnover continued to improve. For the nine months, cash flow from operating activities was more than needed to finance fixed asset acquisitions and dividend payments. While debt levels are high by our historical standards, our balance sheet is strong, and we continue to have sufficient liquidity for near-term needs.

OTHER INFORMATION

Item 1. Legal Proceedings.

There were no reports on Form 8-K during the three months ended March 31, 2000. The financial statements included herein have been subjected to a limited review by PricewaterhouseCoopers LLP, the registrant's independent public accountants, in accordance with professional standards and procedures for such review.

Item 2. Changes in Securities and Use of Proceeds.

There were no securities of the Company sold by the Company during the three months ended March 31, 2000 which were not registered under the Securities Act of 1933, in reliance upon an exemption from registration provided by Section 4 (2) of the Act.

Item 5. Other Information.

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

SIGNATURE

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

TWIN DISC, INCORPORATED
(Registrant)

/S/ FRED H. TIMM

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(Date)

Fred H. Timm
Corporate Controller and
Secretary

Report of Independent Accountants

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

We have reviewed the accompanying condensed consolidated balance sheet of Twin Disc, Incorporated and subsidiaries as of March 31, 2000, and the related condensed consolidated statements of operations for the three and nine-month periods ended March 31, 2000 and 1999 and the related condensed consolidated statements of cash flows for the nine-month periods ended March 31, 2000 and 1999. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical review procedures to financial data, and making inquiries of persons responsible for financial accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of June 30, 1999, and the related consolidated statements of operations, changes in shareholders' equity and comprehensive income, and cash flows for the year then ended (not presented herein); and in our report dated July 23, 1999, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of June 30, 1999, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/
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PricewaterhouseCoopers LLP

Milwaukee, Wisconsin
May 2, 2000

[TYPE] EX-15

EXHIBIT 15

Awareness Letter of Independent Accountants

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

RE: Twin Disc, Incorporated

We are aware that our report dated May 2, 2000 on our review of interim financial information of Twin Disc, Incorporated for the three and nine month periods ended March 31, 2000 and 1999 and included in the Company's quarterly report on Form 10-Q for the quarter then ended, is incorporated by reference in the registration statements of Twin Disc, Incorporated on Form S-8 (Twin Disc, Incorporated 1988 Incentive Stock Option Plan; Twin Disc, Incorporated 1988 Non-Qualified Stock Option Plan for Officers, Key Employees and Directors; Twin Disc, Incorporated 1998 Incentive Compensation Plan; and Twin Disc, Incorporated 1998 Stock Option Plan for Non-Employee Directors).

/S/
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PricewaterhouseCoopers LLP

Milwaukee, Wisconsin
May 2, 2000

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED
FROM THE TWIN DISC, INCORPORATED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
SET FORTH IN THE THIRD QUARTER REPORT TO SHAREHOLDERS FOR THE NINE
MONTHS
ENDED MARCH 31, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE
TO SUCH
FINANCIAL STATEMENTS.

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MAR-31-2000
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