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, 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 No.)
1328 Racine Street, Racine, Wisconsin	53403
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (414) 638-4000

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

At March 31, 1999, the registrant had 2,835,184 shares of its common stock outstanding.

FINANCIAL STATEMENTS

TWIN DISC, INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31 1999	June 30 1998
Assets		
Current assets:		
Cash and cash equivalents	$ 4,735	$ 5,087
Trade accounts receivable, net	27,309	28,320
Inventories	60,521	53,280
Deferred income taxes	1,987	1,987
Other	6,899	4,906
Total current assets	101,451	93,580
Property, plant and equipment, net	39,361	35,728
Investments in affiliates	7,993	10,356
Deferred income taxes	1,241	1,241
Intangible pension asset	4,082	4,082
Other assets	31,365	15,967
	$185,493	$160,954
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	$ 21,597	$ 276
Accounts payable	14,624	9,917
Accrued liabilities	21,451	19,360
Total current liabilities	57,672	29,553
Long-term debt	19,960	19,949
Accrued retirement benefits	29,486	29,457
	107,118	78,959
Shareholders' Equity:		
Common stock	11,653	11,653
Retained earnings	81,459	84,738
Accumulated other comprehensive income	2,370	2,757
	95,482	99,148
Less treasury stock, at cost	17,107	17,153
Total shareholders' equity	78,375	81,995
	$185,493	$160,954

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

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

	Three Months Ended March 31		Nine Months Ended March 31	
	1999	1998	1999	1998
Net sales	$41,139	$49,029	$121,872	$150,903
Cost of goods sold	33,823	36,219	96,061	115,907
	7,316	12,810	25,811	34,996
Marketing, engineering and administrative expenses	8,488	8,246	25,303	24,473
Interest expense	573	376	1,325	1,135
Other (income) and expense, net	273	38	304	(571)
	9,334	8,660	26,932	25,037
Earnings (loss) before income tax	(2,018)	4,150	(1,121)	9,959
Income taxes	(236)	1,766	364	4,103
Net earnings (loss)	($1,782)	$ 2,384	($1,485)	$ 5,856
Dividends per share	$ 0.21	$ 0.19	$ 0.63	$ 0.57
Earnings per share data:				
Basic earnings (loss) per share	($ 0.63)	$ 0.84	($ 0.52)	$ 2.07
Diluted earnings (loss) per share	($ 0.63)	$ 0.82	($ 0.52)	$ 2.03
Shares outstanding data:				
Average shares outstanding	2,835	2,842	2,835	2,829
Dilutive stock options	4	57	13	54
Diluted shares outstanding	2,839	2,899	2,848	2,883
Comprehensive income (loss):				
Net earnings (loss)	($ 1,782)	$ 2,384	($ 1,485)	$ 5,856
Other comprehensive income (loss):				
Foreign currency translation adjustment	(1,942)	(1,281)	(387)	(2,604)
Comprehensive income (loss)	($ 3,724)	$ 1,103	($ 1,872)	$ 3,252

Amounts in thousands except per share data. Per share figures are based on shares outstanding data.
The notes to consolidated financial statements are an integral part of this statement.

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

	Nine Months Ended March 31 1999	1998
Cash flows from operating activities:		
Net earnings (loss)	($ 1,485)	$ 5,856
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	4,654	4,065
(Gain) loss on sale of fixed assets	35	(360)
Gain on partial sale of affiliate	(1,371)	--
Equity in (earnings) losses of affiliates	1,191	(509)
Dividends received from affiliate	625	270
Net change in working capital, excluding cash, debt, and other	4,334	(4,938)
	7,983	4,384
Cash flows from investing activities:		
Acquisitions of fixed assets	(4,873)	(5,825)
Proceeds from sale of fixed assets	17	426
Business acquisitions	(16,340)	(1,021)
	(21,196)	(6,420)
Cash flows from financing activities:		
Increase in notes payable, net	14,721	99
Treasury stock activity	38	1,076
Dividends paid	(1,786)	(1,616)
	12,973	(441)
Effect of exchange rate changes on cash	(112)	(277)
Net change in cash and cash equivalents	(352)	(2,754)
Cash and cash equivalents:		
Beginning of period	5,087	8,983
End of period	$ 4,735	$ 6,229

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 1999	June 30 1998
Inventories:		
Finished parts	$48,449	$43,848
Work in process	6,684	5,524
Raw materials	5,388	3,908
	$60,521	$53,280

C. Contingencies

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

At March 31, 1999 the Company has accrued approximately $1,350,000, which represents the best estimate available for the possible losses. This amount has been accrued over the past several years. Based on the information available, the Company does not expect that any unrecorded liability related to these matters would materially affect the consolidated financial position, results of operations or cash flows.

D. ACQUISITIONS

During the third fiscal quarter ended March 31, 1999, the Company completed two acquisitions which significantly broadened existing industrial and marine product lines and strengthened the Company's global market position.

In January, the Company purchased the mechanical power take-off product line manufactured by Rockford Powertrain, Inc. for approximately $13.5 million. This transaction resulted in goodwill of approximately $11 million.

In February, the Company purchased Technodrive S.p.A. of Decima, Italy for approximately $3.9 million, resulting in goodwill of approximately $2.9 million. Technodrive manufactures industrial power take-offs, clutches, hydraulic pump mount drives and marine transmissions.

E. PARTIAL SALE OF AFFILIATE

In March, the Company sold a portion of its investment in Niigata Converter Co., LTD. As a result, a pre-tax gain of approximately $1,371,000 was recorded in the third fiscal quarter. The sale reduced the Company's ownership from 25% to 19.5%.

MANAGEMENT DISCUSSION AND ANALYSIS

Third quarter net sales were slightly higher than the previous period due to the two acquisitions made early in the quarter. However, compared with a year ago, sales were down 16 percent for the quarter and 19 percent for the nine months. Net losses for the period primarily resulted from restructuring actions taken to position the Company for the current cyclical downturn.

While some of our distribution subsidiaries reported revenue improvements, sales were off last years' pace at most operations. Our domestic manufacturing operation was especially hard hit as weak worldwide demand for key commodities adversely affected many of our customers. Demand for marine products used in commercial boat production and repair was down sharply, partially due to low oil prices, and demand from the marine pleasure craft market moderated somewhat. Other product lines were affected similarly but not to the same extent as marine. There continues to be very weak demand for replacement parts which, combined with our reduced delivery lead times, has slowed recovery and caused a considerable reduction in sales of the higher margin service parts. The acquisition of the net assets of Technodrive S.p.A., completed in February, and integration of the newly acquired mechanical power take-off product line into our Racine facilities, added both sales and earnings for the period.

Sales and earnings of most of our marketing subsidiaries were down from a year ago with the most significant declines continuing to be recorded at operations in Singapore and Australia. Competitive pressure caused by the stronger dollar and the Asian economic crisis were the principal causes of the weakness.

The gross margin for the quarter declined to 18 percent, its lowest level in five years, as a result of workforce restructuring expense, lower sales volume and the related decline in production efficiency. There were productivity declines in both domestic and overseas manufacturing operations. Domestically, there was a voluntary separation program for manufacturing associates which increased cost and dampened productivity. In Belgium, the work-week was shortened through the use of a government sponsored layoff program, and there was a salaried staff reduction consistent with the decline in sales volume. The cost of those restructuring actions included in the quarter accounted for about one-third of the after-tax loss.

Marketing, engineering and administrative expense was slightly higher than last year with the addition of Technodrive; but, as a result of cost control and the second quarter domestic salaried staff reduction, it was down 5 percent from the second fiscal quarter. Interest expense was about 50 percent higher than a year ago due to acquisition related debt of about $21 million. There also was a reduction in the average interest rate with the addition of lower-cost, short-term borrowing. The change in Other expense from last year is primarily an increase in currency exchange losses. Also netted in that line item are the current operating losses of our Japanese affiliate and the gain recognized on the sale of a portion of that joint venture holding. While that pre-tax net loss was negligible, different tax treatment of the components resulted in an approximate $500,000 loss after tax and caused the low effective tax rate reported for the quarter.

As a result of the significant additional short-term borrowing, working capital dropped by about one-third to $44 million; and the current ratio fell to 1.8 from 3.1 at the end of December. The large increase in Other assets is principally goodwill associated with the two acquisitions completed during the quarter. Accounts receivable rose from the previous quarter-end due to the Technodrive acquisition but remains below the level at last year-end. In addition to the inventory from acquisitions during the past quarter, levels have risen since year-end as a result of raw material purchased for new and anticipated transmission contracts and a mismatch between product on hand and current demand. For the nine months, cash flow from operating activities, about one-half from working capital, was more than needed to fund fixed asset purchases and dividends. While liquidity was reduced during the quarter, we continue to maintain a strong balance sheet and believe we have liquidity sufficient to meet our near-term needs.

Year 2000 Readiness

Updating the reports provided in prior quarters, our year 2000 (Y2K) readiness project is proceeding on schedule. Mainframe and network hardware, operating systems software, and business systems software at the Company's domestic manufacturing operation and at most other non-manufacturing subsidiaries has been replaced or remediated, and some of the business systems currently are processing actual transactions for 2000. Testing of those changes is ongoing and will be completed by the end of the current fiscal year. Installation and implementation of Y2K ready hardware and software is now scheduled for completion at the Company's Belgian manufacturing operation at the beginning of the new fiscal year.

A Company-wide inventory of all other systems and equipment (e.g. building and communications control systems, research and production equipment, products) possibly affected by the date change has been completed. Assessment, remediation, and testing of those systems is taking place now and should be completed during the fiscal 1999 fourth quarter. The Company believes the expense to be incurred in achieving full compliance will not be material.

In addition, suppliers and service providers are being contacted to ensure they are actively involved in a program to address the Y2K issue and provide uninterrupted service to Twin Disc. With the exception of utilities, steps are being taken to provide back-up sourcing for critical suppliers, and contingency plans are being developed to solve internal problems as they occur. If Company efforts are unsuccessful in mitigating the effects of Y2K or if key suppliers are unable to provide their products and services, the Company may be unable to continue normal operations.

OTHER INFORMATION

Item 1. Legal Proceedings.

There were no reports on Form 8-K during the three months ended March 31, 1999. 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, 1999 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

(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, 1999, and the related condensed consolidated statements of operations for the three and nine-month periods ended March 31, 1999 and 1998 and the related condensed consolidated statements of cash flows for the nine-month period ended March 31, 1999 and 1998. 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, 1998, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated July 24, 1998, 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, 1998, 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 5, 1999

[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 5, 1999 on our review of interim financial information of Twin Disc, Incorporated for the three and nine-month periods ended March 31, 1999 and 1998 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 5, 1999

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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, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO
SUCH
FINANCIAL STATEMENTS.

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