UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended October 1, 2005

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number 1-8174

DUCOMMUN INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware	**95-0693330**
(State or other jurisdiction of incorporation or organization)	**I.R.S. Employer Identification No.**
23301 Wilmington Avenue, Carson, California	**90745-6209**
(Address of principal executive offices)	**(Zip Code)**

(310) 513-7280
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ☒ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of October 1, 2005, there were outstanding 10,078,919 shares of common stock.

DUCOMMUN INCORPORATED
FORM 10-Q
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

DUCOMMUN INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	October 1, 2005	December 31, 2004
Assets		
Current Assets:		
Cash and cash equivalents	$ 13,858	$ 158
Accounts receivable (less allowance for doubtful accounts of $223 and $333)	33,901	26,909
Inventories	51,048	50,460
Deferred income taxes	5,543	7,389
Prepaid income taxes	326	598
Other current assets	5,074	4,397
Total Current Assets	109,750	89,911
Property and Equipment, Net	52,556	54,984
Goodwill	57,201	57,201
Other Assets	2,350	2,457
	$221,857	$ 204,553
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current portion of long-term debt	$ —	$ 1,200
Accounts payable	14,864	12,772
Accrued liabilities	33,461	30,552
Total Current Liabilities	48,325	44,524
Deferred Income Taxes	7,029	6,421
Other Long-Term Liabilities	2,117	2,117
Total Liabilities	57,471	53,062
Commitments and Contingencies		
Shareholders' Equity:		
Common stock — $.01 par value; authorized 35,000,000 shares; issued 10,078,919 shares in 2005 and 10,042,116 shares in 2004	101	100
Additional paid-in capital	41,461	41,038
Retained earnings	124,941	112,470
Accumulated other comprehensive loss	(2,117)	(2,117)
Total Shareholders' Equity	164,386	151,491
	$221,857	$ 204,553

See accompanying notes to consolidated financial statements.

DUCOMMUN INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

	For Three Months Ended	
	October 1, 2005	October 2, 2004
Net Sales	$ 63,008	$ 51,835
Operating Costs and Expenses:		
Cost of goods sold	49,958	42,599
Selling, general and administrative expenses	7,555	6,046
Total Operating Costs and Expenses	57,513	48,645
Operating Income	5,495	3,190
Interest Income/(Expense)	407	(27)
Income Before Taxes	5,902	3,163
Income Tax Expense	(1,587)	(411)
Net Income	$ 4,315	$ 2,752
Earnings Per Share:		
Basic earnings per share	$ 0.43	$ 0.28
Diluted earnings per share	$ 0.42	$ 0.27
Weighted Average Number of Common Shares Outstanding:		
Basic	10,069	9,990
Diluted	10,222	10,173

See accompanying notes to consolidated financial statements.

DUCOMMUN INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

	For Nine Months Ended	
	October 1, 2005	October 2, 2004
Net Sales	$188,818	$167,465
Operating Costs and Expenses:		
Cost of goods sold	150,041	133,674
Selling, general and administrative expenses	22,195	20,829
Total Operating Costs and Expenses	172,236	154,503
Operating Income	16,582	12,962
Interest Income/(Expense)	322	(241)
Income Before Taxes	16,904	12,721
Income Tax Expense	(4,433)	(3,431)
Net Income	$ 12,471	$ 9,290
Earnings Per Share:		
Basic earnings per share	$ 1.24	$ 0.93
Diluted earnings per share	$ 1.22	$ 0.91
Weighted Average Number of Common Shares Outstanding:		
Basic	10,058	9,959
Diluted	10,190	10,164

See accompanying notes to consolidated financial statements.

DUCOMMUN INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	For Nine Months Ended	
	October 1, 2005	October 2, 2004
Cash Flows from Operating Activities:		
Net Income	$ 12,471	$ 9,290
Adjustments to Reconcile Net Income to Net		
Cash Provided by Operating Activities:		
Depreciation and amortization	5,652	5,581
Deferred income tax provision	2,454	1,035
Income tax benefit related to the exercise of nonqualified stock options	177	510
Increase in doubtful accounts	(110)	(184)
(Gain)/Loss on sale of assets	(13)	186
Net increase/(reduction) of warranty reserves	108	(24)
Net (reduction of)/provision for contract cost overruns	(574)	577
Changes in Assets and Liabilities:		
Accounts receivable - (increase)/decrease	(6,882)	166
Inventories - (increase)	(588)	(11,857)
Prepaid income taxes - decrease	272	1,217
Other assets - (increase)	(570)	(2,217)
Accounts payable - increase	2,092	2,310
Accrued and other liabilities - increase/(decrease)	3,375	(5,514)
Net Cash Provided by Operating Activities	17,864	1,076
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(3,229)	(4,825)
Proceeds from Sale of Assets	18	28
Net Cash Used in Investing Activities	(3,211)	(4,797)
Cash Flows from Financing Activities:		
Net Repayment of Long-Term Debt	(1,200)	(685)
Net Cash Effect of Exercise Related to Stock Options	247	954
Net Cash (Used in)/Provided by Financing Activities	(953)	269
Net Increase/(Decrease) in Cash and Cash Equivalents	13,700	(3,452)
Cash and Cash Equivalents - Beginning of Period	158	3,832
Cash and Cash Equivalents - End of Period	$ 13,858	$ 380
Supplemental Disclosures of Cash Flow Information:		
Interest Paid	$ 32	$ 191
Income Taxes Paid	$ 2,237	$ 2,172

See accompanying notes to consolidated financial statements.

Note 1. Summary of Significant Accounting Policies

Consolidation

The consolidated balance sheet is unaudited as of October 1, 2005 and the consolidated statements of income and the consolidated statements of cash flows are unaudited for the three months and nine months ended October 1, 2005 and October 2, 2004. The consolidated financial statements include the accounts of Ducommun Incorporated and its subsidiaries ("Ducommun" or the "Company"), after eliminating inter-company balances and transactions. The interim financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are, in the opinion of the Company, necessary for a fair presentation of the results for the interim periods presented. The financial information included in the quarterly report should be read in conjunction with the Company's consolidated financial statements and related notes thereto included in its annual report on Form 10-K for the year ended December 31, 2004.

Cash Equivalents

Cash equivalents consist of highly liquid instruments purchased with original maturities of three months or less. The cost of these investments approximates fair value.

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, the price is fixed or determinable, collection is reasonably assured and delivery of products has occurred or services have been rendered. Revenue is recognized under long-term contracts on the same basis as other sale transactions.

Provision for Estimated Losses on Contracts

The Company records provisions for estimated losses on contracts in the period in which such losses are identified.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses from the inability of customers to make required payments. The allowance for doubtful accounts is evaluated periodically based on the aging of accounts receivable, the financial condition of customers and their payment history, historical write-off experience and other assumptions.

Inventories

Inventories are stated at the lower of cost or market, cost being determined on a first-in, first-out basis. Inventoried costs include raw materials, outside processing, direct labor and allocated overhead, but do not include any selling, general and administrative expense. Costs under long-term contracts are accumulated into, and removed from, inventory on the same basis as other contracts. The Company assesses the inventory carrying value and reduces it, if necessary, to its net realizable value based on customer orders on hand, and internal demand forecasts using management's best estimates given information currently available. The Company's customer demand is highly unpredictable, and can fluctuate significantly caused by factors beyond the control of the Company. The Company maintains an allowance for inventories for potentially excess and obsolete inventories and inventories that are carried at costs that are higher than their estimated net realizable values.

Property and Depreciation

Property and equipment, including assets recorded under capital leases, are recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives and, in the case of leasehold improvements, over the shorter of the lives of the improvements or the lease term. The Company evaluates long-lived assets for recoverability, when significant changes in conditions occur, and recognizes impairment losses, if any, based upon the fair value of the assets.

Goodwill

The Company's business acquisitions have typically resulted in goodwill, which affects the amount of possible impairment expense that the Company may incur. The determination of the value of goodwill requires management to make estimates and assumptions that affect the Company's consolidated financial statements. The Company performs goodwill impairment tests on an annual basis in the fourth quarter and between annual tests, in certain circumstances, whenever events may indicate an

impairment may have occurred. Goodwill is tested for impairment utilizing a two-step method. In the first step, the Company determines the fair value of the reporting unit using expected future discounted cash flows and other market valuation approaches. If the net book value of the reporting unit exceeds the fair value, the Company would then perform the second step of the impairment test which requires allocation of the reporting unit's fair value of all of its assets and liabilities in a manner similar to a purchase price allocation, with any residual fair value being allocated to goodwill. The fair value of the goodwill is then compared to the carrying amount to determine impairment. An impairment charge will be recognized only when the implied fair value of a reporting unit, including goodwill, is less than its carrying amount.

Warranty Liability

The Company quantifies and records an estimate for warranty related costs for certain customer returns related to quality. These costs are based on current estimated repair costs.

Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Standards, No. 109, "Accounting for Income Taxes" ("SFAS No. 109"), which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. SFAS 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Litigation and Commitments

In the normal course of business, the Company and its subsidiaries are defendants in certain litigation, claims and inquiries, including matters relating to environmental laws. In addition, the Company makes various commitments and incurs contingent liabilities. Management's estimates regarding contingent liabilities could differ from actual results.

Environmental Liabilities

Environmental liabilities are recorded when environmental assessments and/or remedial efforts are probable and costs can be reasonably estimated. Generally, the timing of these accruals coincides with the completion of a feasibility study or the Company's commitment to a formal plan of action.

Accounting for Stock-Based Compensation

The Company has adopted only the disclosure provisions of SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," which amended Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). In accordance with these pronouncements, the Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its plans and does not recognize compensation expense for its stock-based compensation plans based on the fair value method. If the Company had elected to recognize compensation expense based upon the fair value at the grant date for awards under these plans consistent with the methodology prescribed by SFAS No. 123, the Company's net income and earnings per share would be reduced to the pro forma amounts indicated below:

	(In thousands)			
	Three Months Ended		Nine Months Ended	
	October 1, 2005	October 2, 2004	October 1, 2005	October 2, 2004
Net Income:				
As reported	$ 4,315	$ 2,752	$ 12,471	$ 9,290
Less: Total expense determined under fair value accounting for all awards, net of tax	(288)	(245)	(826)	(640)
Pro forma	$ 4,027	$ 2,507	$ 11,645	$ 8,650
Earnings Per Common Share:				
As reported:				
Basic	$ .43	$ .28	$ 1.24	$ .93
Diluted	.42	.27	1.22	.91
Pro forma:				
Basic	$ .40	$ .25	$ 1.16	$ .87
Diluted	.39	.25	1.14	.85

These pro forma amounts may not be representative of future disclosures since the estimated fair value of stock options is amortized to expense over the vesting period, and additional options may be granted in future years.

Earnings Per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding in each period. Diluted earnings per share is computed by dividing income available to common shareholders plus income associated with dilutive securities by the weighted average number of common shares outstanding plus any potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock in each period. For the three months ended October 1, 2005 and October 2, 2004, income available to common shareholders was $4,315,000 and $2,752,000, respectively. The weighted average number of common shares outstanding for the three months ended October 1, 2005 and October 2, 2004 were 10,069,000 and 9,990,000, respectively; the dilutive shares associated with stock options were 153,000 and 183,000, respectively. For the nine months ended October 1, 2005 and October 2, 2004 income available to common shareholders was $12,471,000 and $9,290,000, respectively. The weighted average number of common shares outstanding for the nine months ended October 1, 2005 and October 2, 2004 were 10,058,000 and 9,959,000; and the dilutive shares associated with stock options were 132,000 and 205,000, respectively. For the three months ended October 1, 2005 and October 2, 2004 the number of shares not included in the calculations because the impact would have been antidilutive was 48,000 and 43,000, respectively; and for the nine months ended October 1, 2005 and October 2, 2004 the number of shares not included in the calculations because the impact would have been antidilutive was 246,000 and 43,000, respectively.

Comprehensive Income

Statement of Financial Accounting Standards No. 130, “Reporting Comprehensive Income” (“SFAS No. 130”), requires that certain items such as foreign currency translation adjustments, unrealized gains and losses on certain investments in debt and equity securities and minimum pension liability adjustments be presented as separate components of shareholders’ equity. SFAS No. 130 defines these as items of other comprehensive income and as such must be reported in a financial statement that is displayed with the same prominence as other financial statements. Accumulated other

comprehensive loss, as reflected in the Consolidated Balance Sheets under the equity section, was comprised of a minimum pension liability adjustment of $2,117,000, net of tax, at October 1, 2005 and December 31, 2004.

Recent Accounting Pronouncements

In October 2005, the Financial Accounting Standards Board ("FASB") announced that FSP No. 13-1, "Accounting for Rental Costs Incurred during a Construction Period," is effective for reporting periods beginning after December 15, 2005. This Position concludes that rental costs incurred during and after a construction period are for the right to control the use of a leased asset during and after construction of a lessee asset, and that there is no distinction between the right to use a leased asset during the construction period and the right to use that asset after the construction period. This Position requires that rental costs associated with ground or building operating leases that are incurred during a construction period be recognized as rental expense, included in income from continuing operations. We do not expect the adoption of FSP No. 13-1 to have an impact on our financial condition, results of operations or cash flows.

In May 2005, FASB issued Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections – a replacement of APB Opinion No. 20 and FASB Statement No. 3." This Statement requires the retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This Statement will be effective for fiscal years beginning after December 15, 2005. The Company will adopt this Statement when it becomes effective. The adoption of this Statement could have a significant impact on the Company's financial results of operations and financial position, should there be a change in accounting principle once this Statement is implemented.

In December 2004, Statement of Financial Accounting Standards No. 123R, "Share-Based Payment" ("SFAS No. 123R"), which finalized the new accounting rules for share-based compensation including stock options, restricted stock and performance based equity compensation, was issued. SFAS No. 123R is an amendment to FASB Statement No. 123 and supersedes APB Opinion No. 25. SFAS No. 123R will be effective for the Company in the first quarter of 2006. Beginning in January 1, 2006 all stock options or other equity-based awards to employees or directors that vest or become exercisable must be accounted for under SFAS No. 123R. Management is in the process of assessing the impact SFAS No. 123R will have on the Company's consolidated financial statements.

On October 22, 2004, the President signed the American Jobs Creation Act of 2004 (“the Act”). For companies that pay income taxes on manufacturing activities in the U.S., the Act provides a deduction from taxable income equal to a stipulated percentage of qualified income from domestic production activities, which will be phased-in from 2005 through 2010. The Act also provides for a two-year phase-out of the existing extraterritorial income (“ETI”) exclusion now in place. The Company currently derives benefit from the ETI exclusion. The Act reduces the Company’s ETI exclusion for 2005 and 2006 to 80% and 60% of the otherwise allowable exclusion. No exclusion will be available in 2007 and beyond.

Under the guidance in FASB Staff Position No. FAS 109-1, the deduction for qualified domestic production activities will be treated as a “special deduction” as described in FASB Statement No. 109. As such, the special deduction has no effect on deferred tax assets and liabilities existing at the enactment date. Rather, the impact of this deduction will be reported in the period in which the deduction is claimed on our tax return.

In November 2004, Statement of Financial Accounting Standards No. 151, “Inventory Costs, an Amendment of ARB No. 43, Chapter 4” (“SFAS No. 151”), was issued. The amendments made by SFAS No. 151 clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges and require the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. SFAS No. 151 will become effective for the Company beginning in fiscal 2006. Management is in the process of assessing the impact SFAS No. 151 will have on the Company’s consolidated financial statements.

Use of Estimates

Certain amounts and disclosures included in the consolidated financial statements required management to make estimates and judgments that affect the amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Note 2. Inventories

Inventories consist of the following:

	(In thousands)	
	October 1, 2005	December 31, 2004
Raw materials and supplies	$ 14,371	$ 14,566
Work in process	41,196	41,239
Finished goods	1,170	1,265
	56,737	57,070
Less progress payments	5,689	6,610
Total	$ 51,048	$ 50,460

Note 3. Property and Equipment

Property and equipment consist of the following:

	(In thousands)	
	October 1, 2005	December 31, 2004
Land	$ 11,333	$ 11,333
Buildings and improvements	28,837	28,629
Machinery and equipment	72,801	71,764
Furniture and equipment	12,823	12,512
Construction in progress	2,931	1,715
	128,725	125,953
Less accumulated depreciation and amortization	76,169	70,969
Total	$ 52,556	$ 54,984

Depreciation expense was $1,864,000 and $1,793,000 for the three months ended October 1, 2005 and October 2, 2004, respectively, and $5,652,000 and $5,581,000 for the nine months ended October 1, 2005 and October 2, 2004, respectively.

Note 4. Goodwill

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS No. 141") and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). Pursuant to the nonamortization provisions of SFAS No. 142, there was no goodwill amortization expense and no change in goodwill during the three month and nine month periods ended October 1, 2005 and October 2, 2004.

Note 5. Long-Term Debt

Long-term debt is summarized as follows:

	(In thousands)	
	October 1, 2005	December 31, 2004
Bank credit agreement	$ —	$ 800
Notes and other liabilities for acquisitions	—	400
Total debt	—	1,200
Less current portion	—	1,200
Total long-term debt	$ —	$ —

The Company has entered into an Amended and Restated Credit Agreement with Bank of America, N.A., as Administrative Agent, Wachovia Bank, National Association, as Syndication Agent, and the other lenders named therein (the "Credit Agreement"). The Credit Agreement provides for an unsecured revolving credit line of $75,000,000 maturing on April 7, 2010. Interest is payable monthly on the outstanding borrowings at Bank of America's prime rate (6.75% at October 1, 2005) plus a spread (0% to 0.50% per annum based on the leverage ratio of the Company) or, at the election of the Company, for terms of up to six months at the LIBOR rate plus a spread (1.00% to 1.75% per annum depending on the leverage ratio of the Company). The Credit Agreement includes minimum fixed charge coverage, maximum leverage and minimum net worth covenants, an unused commitment fee (0.25% to 0.40% per annum depending on the leverage ratio of the Company), and limitations on future dispositions of property, repurchases of common stock, dividends, outside indebtedness, and acquisitions.

Note 6. Accrued Liabilities

Accrued liabilities consist of the following:

	(In thousands)	
	October 1, 2005	December 31, 2004
Accrued compensation	$ 14,118	$ 9,970
Provision for environmental costs	4,519	4,469
Customer deposits	1,846	2,584
Accrued insurance costs	2,654	3,375
Accrued contract loss provisions	2,449	3,023
Accrued warranty reserves	1,836	1,728
Accrued state franchise and sales tax	3,501	3,365
Other	2,538	2,038
Total	$ 33,461	$ 30,552

Note 7. Shareholders' Equity

The Company is authorized to issue five million shares of preferred stock. At October 1, 2005 and December 31, 2004, no preferred shares were issued or outstanding.

The Company did not repurchase any of its common stock during the nine months ended October 1, 2005 and during the year ended December 31, 2004.

Note 8. Stock Options

The Company has three stock option or incentive plans. Stock awards may be made to directors, officers and key employees under the stock plans on terms determined by the Compensation Committee of the Board of Directors or, with respect to directors, on terms determined by the Board of Directors. Stock options have been and may be granted to directors, officers and key employees under the stock plans at prices not less than 100% of the market value on the date of grant, and expire not more than ten years from the date of grant. The option price and number of shares are subject to adjustment under certain dilutive circumstances.

At October 1, 2005, 233,550 common shares were available for future grants and 875,338 common shares were reserved for the exercise of outstanding options.

Note 9. Employee Benefit Plans

The Company has an unfunded supplemental retirement plan that was suspended in 1986, but which continues to cover certain former executives. The accumulated benefit obligations under the plan at October 1, 2005 and December 31, 2004 were $496,000 and $486,000, respectively, which are included in accrued liabilities.

The Company sponsors, for all of its employees, a 401(k) defined contribution plan under which employees can make annual voluntary contributions not to exceed the lesser of an amount equal to 25% of their compensation or limits established by the Internal Revenue Code. The Company generally provides a match equal to 50 percent of the employees' contributions up to the first 4 percent of compensation, except for union employees who are not eligible to receive the match. The Company matching contributions for the three months ended October 1, 2005 and October 2, 2004 were approximately $170,000 and $186,000, respectively. The Company matching contributions for the nine months ended October 1, 2005 and October 2, 2004 were approximately $522,000 and $537,000, respectively.

The Company provides postretirement benefits for a former executive of the Company. The accrued postretirement benefit cost under this plan is included in accrued liabilities.

The components of net periodic postretirement benefits cost for this plan are as follows:

	(In thousands)			
	Three Months Ended		Nine Months Ended	
	October 1, 2005	October 2, 2004	October 1, 2005	October 2, 2004
Service cost	$ —	$ —	$ —	$ —
Interest cost	8	18	23	54
Expected return on plan assets	—	—	—	—
Amortization of net transition obligation	—	12	—	60
Amortization of actuarial gain	—	(5)	—	(15)
	$ 8	$ 25	$ 23	$ 99

The Company has a defined benefit pension plan covering certain hourly employees of a subsidiary. Pension plan benefits are generally determined on the basis of the retiree's age and length of service. Assets of the defined benefit plan are composed primarily of fixed income and equity securities.

The components of net periodic pension cost for this plan are as follows:

	(In thousands)			
	Three Months Ended		Nine Months Ended	
	October 1, 2005	October 2, 2004	October 1, 2005	October 2, 2004
Service cost	$ 154	$ 127	$ 462	$ 380
Interest cost	152	156	455	467
Expected return on plan assets	(207)	(182)	(621)	(545)
Amortized losses	35	40	105	119
Net periodic pension cost	$ 134	$ 141	$ 401	$ 421

On December 31, 2004, the Company's annual measurement date, and October 1, 2005, the accumulated benefits obligation, related to the defined benefit plan, exceeded the fair value of the plan assets. Such excess is referred to as an unfunded accumulated benefit obligation. In accordance with Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," the Company recognized a minimum pension liability at October 1, 2005 and December 31, 2004 of $2,117,000, net of tax, which decreased shareholders' equity and is included in other long-term liabilities. This charge to shareholders' equity represents a net loss not yet recognized as a pension expense. This charge did not affect reported earnings, and would be reversible if either interest rates increase or market performance and plan returns improve or contributions cause the pension plan to return to fully funded status. There were no charges during the three months and nine months ended October 1, 2005 and October 2, 2004.

The Company's funding policy is to contribute cash to its pension plan so that the minimum contribution requirements established by government funding and taxing authorities are met. The Company plans to make no contribution to its pension plan in 2005.

Note 10. Indemnifications and Warranty Liability

Indemnifications

The Company has made guarantees and indemnities under which it may be required to make payments to a guaranteed or indemnified party, in relation to certain transactions, including revenue transactions in the ordinary course of business. In connection with certain facility leases, the Company has indemnified its lessors for certain claims arising from the facility or the lease. The Company indemnifies its directors and officers to the maximum extent permitted under the laws of the State of Delaware. However, the Company has a directors and officers insurance policy that may reduce its exposure in certain circumstances and may enable it to recover a portion of future amounts that may be payable, if any. The duration of the guarantees and indemnities varies and, in many cases is indefinite but subject to statute of limitations. The majority of guarantees and indemnities do not provide any limitations of the maximum potential future payments the Company could be obligated to make. Historically, payments related to these guarantees and indemnities have been immaterial. The Company estimates the fair value of its indemnification obligations as insignificant based on this history and insurance coverage and has, therefore, not recorded any liability for these guarantees and indemnities in the accompanying consolidated balance sheets. However, there can be no assurances that the Company will not have any future financial exposure under these indemnification obligations.

Warranty Liability

The Company quantifies and records an estimate for warranty related costs for certain customer returns related to quality. These costs are based on current estimated repair costs.

The warranty liability at October 1, 2005 and December 31, 2004 was $1,836,000 and $1,728,000, respectively, and includes $1,768,000 at October 1, 2005 for product returns on the Apache blade program.

Information regarding the changes in the Company's aggregate warranty liability is as follows for the three months ended October 1, 2005 and the year ended December 31, 2004:

	(In thousands)	
	October 1, 2005	December 31, 2004
Warranty liability at beginning of period	$ 1,728	$ 1,759
Accruals for warranties during the period	138	64
Adjustments relating to pre-existing warranties	(30)	(95)
Warranty liability at end of period	$ 1,836	$ 1,728

Note 11. Leases

The Company leases certain facilities and equipment for periods ranging from 1 to 8 years. The leases generally are renewable and provide for the payment of property taxes, insurance and other costs relative to the property. Rental expense for the nine month periods ended October 1, 2005 and October 2, 2004, was $2,115,000 and $2,134,000, respectively. Future minimum rental payments under operating leases having initial or remaining noncancelable terms in excess of one year at October 1, 2005, are as follows:

	(In thousands)
	Lease Commitments
2005	$ 555
2006	2,219
2007	1,977
2008	1,024
2009	531
Thereafter	1,093
Total	$ 7,399

Note 12. Contingencies

The Ducommun AeroStructures, Inc. ("DAS") facility located in El Mirage, California has been directed by California environmental agencies to investigate and take corrective action for groundwater contamination. Based upon currently available information, the Company has established a provision for the cost of such investigation and corrective action of $1.5 million. However, the Company's ultimate liability in connection with the contamination will depend upon a number of factors,

including changes in existing laws and regulations, and the design and cost of the construction, operation and maintenance of the corrective action.

The Company's subsidiary, Composite Structures, LLC ("Composite"), and several other companies have been ordered by a California environmental agency to investigate and clean up soil and groundwater contamination at its Monrovia, California facility. The Company does not presently expect that this matter will have a material adverse effect on its consolidated financial position or results of operation.

In December 2004, a California environmental agency issued an order to DAS and other companies and government entities which allegedly sent hazardous waste to a landfill in West Covina, California. The order directs DAS and the other companies and government entities to take over the closure and post-closure operation of the landfill and to take certain other actions. The Company, at this time, is unable to estimate reliably its future liability in connection with the landfill. Based on currently available information, the Company preliminarily estimates that the range of its future liability in connection with the landfill is between approximately $164,000 and $3.5 million. The Company has recorded a provision at the minimum amount of the range of approximately $164,000.

In December 2004, the Orange County Water District filed a lawsuit against American Electronic, Inc. ("AEI"), a subsidiary of the Company, and other companies, to recover damages relating to contamination of groundwater within the District. The Company does not presently expect that this matter will have a material adverse effect on its consolidated financial position or results of operation.

On June 1, 2005, the Company was served with a summons and complaint in a lawsuit entitled United States of America ex rel Taylor Smith, Jeannine Prewitt and James Ailes v. The Boeing Company and Ducommun Inc., filed in the United States District Court for the District of Kansas. The lawsuit is a qui tam action brought against The Boeing Company ("Boeing") and Ducommun on behalf of the United States of America for violations of the United States False Claims Act. The lawsuit alleges that Ducommun sold unapproved parts to the Boeing Commercial Airplanes-Wichita Division which were installed by Boeing in 32 aircraft ultimately sold to the United States government. The lawsuit seeks damages, civil penalties and other relief from the defendants for presenting or causing to be presented false claims for payment to the United States government. Although the amount of alleged damages are not specified, the lawsuit seeks damages in an amount equal to three times the amount of damages the United States government sustained because of the defendants' actions, plus a civil penalty of $10,000 for each false claim made on or before September 28, 1999, and $11,000 for each false claim

made on or after September 28, 1999, together with attorneys' fees and costs. The Company, at this time, is unable to estimate what, if any, liability it may have in connection with the lawsuit.

In the normal course of business, Ducommun and its subsidiaries are defendants in certain other litigation, claims and inquiries, including matters relating to environmental laws. In addition, the Company makes various commitments and incurs contingent liabilities. While it is not feasible to predict the outcome of these matters, the Company does not presently expect that any sum it may be required to pay in connection with these matters would have a material adverse effect on its consolidated financial position, results of operations or cash flows.

Note 13. Major Customers and Concentrations of Credit Risk

The Company provides proprietary products and services to most of the prime aerospace and aircraft manufacturers. As a result, the Company's sales and trade receivables are concentrated principally in the aerospace industry.

The Company had substantial sales, through both of its business segments, to Boeing, Raytheon and Lockheed Martin. During the third quarter of 2005 and 2004, sales to Boeing were $31,299,000 and $21,696,000, respectively; sales to Raytheon were $5,734,000 and $5,569,000, respectively; and sales to Lockheed Martin were $4,788,000 and $3,743,000, respectively. At October 1, 2005, trade receivables from Boeing, Raytheon and Lockheed Martin were $8,422,000, $3,649,000 and $3,049,000, respectively. The sales and receivables relating to Boeing, Raytheon and Lockheed Martin are diversified over a number of different commercial, space and military programs.

Note 14. Business Segment Information

The Company supplies products and services to the aerospace industry. The Company's subsidiaries are organized into two strategic businesses, each of which is a reportable operating segment. Ducommun AeroStructures, Inc., manufactures aerospace structural components and subassemblies. Ducommun Technologies, Inc., manufactures aerospace electromechanical components and subsystems. The accounting policies of the segments are the same as those of the Company, as described in Note 1, Summary of Significant Accounting Policies.

Financial Accounting Standards Board Statement No. 131, "Disclosures About Segments of an Enterprise and Related Information" ("SFAS No. 131"), establishes standards for reporting information about segments in financial statements. Operating segments are defined as components of an enterprise about which separate financial information is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

Financial information by reporting segment is set forth below:

	(In thousands)			
	Three Months Ended		Nine Months Ended	
	October 1, 2005	October 2, 2004	October 1, 2005	October 2, 2004
Net Sales:				
Ducommun AeroStructures, Inc.	$ 43,992	$ 32,867	$ 130,491	$ 109,943
Ducommun Technologies, Inc.	19,016	18,968	58,327	57,522
Total Net Sales	$ 63,008	$ 51,835	$ 188,818	$ 167,465
Segment Operating Income (1):				
Ducommun AeroStructures, Inc.	$ 4,506	$ 800	$ 12,758	$ 7,436
Ducommun Technologies, Inc.	2,239	2,893	6,973	9,792
	6,745	3,693	19,731	17,228
Corporate General and Administrative Expenses	(1,250)	(503)	(3,149)	(4,266)
Total Operating Income	$ 5,495	$ 3,190	$ 16,582	$ 12,962
Depreciation and Amortization Expenses:				
Ducommun AeroStructures, Inc.	$ 1,524	$ 1,505	$ 4,682	$ 4,555
Ducommun Technologies, Inc.	316	328	901	1,007
Corporate Administration	24	10	69	19
Total Depreciation and Amortization Expenses	$ 1,864	$ 1,843	$ 5,652	$ 5,581
Capital Expenditures:				
Ducommun AeroStructures, Inc.	$ 730	$ 793	$ 2,001	$ 4,057
Ducommun Technologies, Inc.	712	56	1,149	478
Corporate Administration	40	143	79	290
Total Capital Expenditures	$ 1,482	$ 992	$ 3,229	$ 4,825

(1) Before certain allocated corporate overhead.

Segment assets include assets directly identifiable with each segment. Corporate assets include assets not specifically identified with a business segment, including cash.

	(In thousands)	
	October 1, 2005	December 31, 2004
Total Assets:		
Ducommun AeroStructures, Inc.	$ 144,427	$ 140,055
Ducommun Technologies, Inc.	52,315	51,586
Corporate Administration	25,115	12,912
Total Assets	$ 221,857	$ 204,553
Goodwill		
Ducommun AeroStructures, Inc.	$ 36,785	$ 36,785
Ducommun Technologies, Inc.	20,416	20,416
Total Goodwill	$ 57,201	$ 57,201

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Ducommun designs, engineers and manufactures aerostructure and electromechanical components and subassemblies principally for the aerospace industry. Sales, diluted earnings per share, gross profit as a percent of sales, selling, general and administrative expense as a percent of sales, and the effective tax rate in the third quarter and nine months of 2005 and 2004, respectively, were as follows:

	Third Quarter		Nine Months	
	2005	2004	2005	2004
Sales (in $000's)	$63,008	$51,835	$188,818	$167,465
Diluted Earnings Per Share	$ .42	$ .27	$ 1.22	$ .91
Gross Profit % of Sales	20.7%	17.8%	20.5%	20.2%
SG&A Expense % of Sales	12.0%	11.7%	11.8%	12.4%
Effective Tax Rate	26.9%	13.0%	26.2%	27.0%

The Company manufactures components and assemblies principally for domestic and foreign commercial and military aircraft and space programs. The Company's mix of military, commercial and space business in the third quarter and nine months of 2005 and 2004, respectively, was approximately as follows:

	Third Quarter		Nine Months	
	2005	2004	2005	2004
Military	54%	56%	59%	60%
Commercial	42%	40%	37%	36%
Space	4%	4%	4%	4%
Total	100%	100%	100%	100%

The Company is dependent on Boeing commercial aircraft, the C-17 aircraft and the Apache helicopter programs. Sales to these programs, as a percentage of total sales, for the third quarter and nine months of 2005 and 2004, respectively, were approximately as follows:

	Third Quarter		Nine Months	
	2005	2004	2005	2004
Boeing Commercial Aircraft	17%	19%	15%	19%
Boeing C-17 Aircraft	12%	16%	12%	14%
Boeing Apache Helicopter	21%	8%	20%	14%
All Others	50%	57%	53%	53%
Total	100%	100%	100%	100%

Results of Operations

Third Quarter 2005 Compared to Third Quarter 2004

Net sales in the third quarter of 2005 were $63,008,000, compared to net sales of $51,835,000 for the third quarter of 2004. The Company's mix of business in the third quarter of 2005 was approximately 54% military, 42% commercial, and 4% space, compared to 56% military, 40% commercial, and 4% space in the third quarter of 2004.

The Company had substantial sales, through both of its business segments, to Boeing, Raytheon and Lockheed Martin. During the third quarter of 2005 and 2004, sales to Boeing were $31,299,000 and $21,696,000, respectively; sales to Raytheon were $5,734,000 and $5,569,000, respectively; and sales to Lockheed Martin were $4,788,000 and $3,743,000, respectively. At October 1, 2005, trade receivables from Boeing, Raytheon and Lockheed Martin were $8,422,000, $3,649,000 and $3,049,000, respectively. The sales and receivables relating to Boeing, Raytheon and Lockheed Martin are diversified over a number of different commercial, space and military programs.

Military components manufactured by the Company are employed in many of the country's front-line fighters, bombers, helicopters and support aircraft, as well as many sea-based vehicles. The Company's defense business is widely diversified among military manufacturers and programs. Sales related to military programs were approximately $34,114,000, or 54% of total sales in the third quarter of 2005, compared to $29,200,000, or 56% of total sales in the third quarter of 2004. The increase in military sales in the third quarter of 2005 resulted principally from an increase in sales to the Apache helicopter program at Ducommun AeroStructrues, Inc. ("DAS"). The Apache helicopter program accounted for approximately $13,402,000 in sales in the third quarter of 2005, compared to $3,995,000 in

sales in third quarter of 2004. The C-17 program accounted for approximately $7,573,000 in sales in the third quarter of 2005, compared to $8,271,000 in sales in the third quarter of 2004.

The Company's commercial business is represented on many of today's major commercial aircraft. Sales related to commercial business were approximately $26,305,000, or 42% of total sales in the third quarter of 2005, compared to $20,485,000, or 40% of total sales in the third quarter of 2004. During the third quarter of 2005, commercial sales were higher, principally because of an increase in commercial aftermarket sales and sales to the Boeing 737/737NG program, partially offset by lower sales at Ducommun Technologies, Inc. Sales to the Boeing 737/737NG program accounted for approximately $8,377,000 in sales in the third quarter of 2005, compared to $7,331,000 in sales in the third quarter of 2004.

In the space sector, the Company produces components for the expendable fuel tanks which help boost the Space Shuttle vehicle into orbit. Components are also produced for a variety of unmanned launch vehicles and satellite programs. Sales related to space programs were approximately $2,589,000, or 4% of total sales in the third quarter of 2005, compared to $2,150,000, or 4% of total sales in the third quarter 2004. During the third quarter of 2005, sales related to space programs were higher due to higher sales for the Space Shuttle program.

Gross profit, as a percentage of sales, increased to 20.7% in the third quarter of 2005 from 17.8% in the third quarter of 2004. The gross profit margin increase was primarily the result of spreading fixed overhead costs over a higher volume of sales during the third quarter of 2005, compared to the third quarter of 2004.

Selling, general and administrative ("SG&A") expenses, as a percentage of sales, were 12.0% in the third quarter of 2005, compared to 11.7% in the third quarter of 2004. The increase in SG&A expenses, as a percentage of sales, was primarily the results of higher SG&A spending for bonus accruals in 2005, compared to the comparable period of 2004.

Interest income was $407,000 in the third quarter of 2005, compared to interest expense of $27,000 in the third quarter of 2004, primarily due to interest on tax refunds received in 2005 and high cash balances in 2005, compared to 2004.

Income tax expense increased to $1,587,000 in the third quarter of 2005, compared to $411,000 in the third quarter of 2004, primarily due to higher pre-tax income. The Company's effective tax rate for

the third quarter of 2005 was 26.9%, compared to 13.0% in the third quarter of 2004, the difference primarily attributable to higher research and development tax credits in 2004. The Company currently expects its effective tax rate for the full year 2005 to be in the range of 26 to 30 percent with significant fluctuations from quarter-to-quarter during the year. Cash expended to pay income taxes was $30,000 in the third quarter of 2005, compared to $54,000 in the third quarter of 2004.

Net income for the third quarter of 2005 was $4,315,000, or $0.42 diluted earnings per share, compared to $2,752,000, or $0.27 diluted earnings per share, in the third quarter of 2004.

Nine Months of 2005 Compared to Nine Months of 2004

Net sales in the first nine months of 2005 were $188,818,000, compared to net sales of $167,465,000 for the first nine months of 2004. The Company's mix of business in the first nine months of 2005 was approximately 59% military, 37% commercial, and 4% space, compared to 60% military, 36% commercial, and 4% space in the first nine months of 2004.

The Company had substantial sales, through both of its business segments, to Boeing, Raytheon and Lockheed Martin. During the first nine months of 2005 and 2004, sales to Boeing were $89,751,000 and $76,341,000 respectively; sales to Raytheon were $17,176,000 and $19,325,000, respectively; and sales to Lockheed Martin were $14,559,000 and $10,622,000, respectively. At October 1, 2005, trade receivables from Boeing, Raytheon and Lockheed Martin were $8,422,000, $3,649,000 and $3,049,000, respectively. The sales and receivables relating to Boeing, Raytheon and Lockheed Martin are diversified over a number of different commercial, space and military programs.

Military components manufactured by the Company are employed in many of the country's front-line fighters, bombers, helicopters and support aircraft, as well as many sea-based vehicles. The Company's defense business is widely diversified among military manufacturers and programs. Sales related to military programs were approximately $112,039,000, or 59% of total sales in the first nine months of 2005, compared to $99,926,000, or 60% of total sales in the first nine months of 2004. The increase in military sales in the first nine months of 2005 resulted principally from an increase in sales to the Apache helicopter program at DAS. In the first nine months of 2005, the Apache helicopter program accounted for approximately $37,443,000 in sales, compared to $23,918,000 in sales in the first nine months of 2004. The C-17 program accounted for approximately $23,117,000 in sales in the first nine months of 2005, compared to $23,129,000 in sales in the first nine months of 2004.

The Company’s commercial business is represented on many of today’s major commercial aircraft. During the first nine months of 2005, sales related to commercial business were approximately $69,746,000, or 37% of total sales, compared to $60,727,000, or 36% in the first nine months of 2004. During the first nine months of 2005, commercial sales were higher, principally because of an increase in commercial aftermarket sales, partially offset by lower sales to the Boeing 737/737NG program. The Boeing 737/737NG program accounted for approximately $20,324,000 in sales in the first nine months of 2005, compared to $23,087,000 in sales in the first nine months of 2004.

In the space sector, the Company produces components for the expendable fuel tanks which help boost the Space Shuttle vehicle into orbit. Components are also produced for a variety of unmanned launch vehicles and satellite programs. During the first nine months of 2005, sales related to space programs were approximately $7,033,000, or 4% of total sales, compared to $6,812,000, or 4% of total sales, in the first nine months of 2004.

At October 1, 2005, backlog believed to be firm was approximately $306,658,000, compared to $305,352,000 at December 31, 2004. The backlog increase from December 31, 2004 was primarily due to higher bookings than shipments, primarily for the Apache helicopter program, the C-17 program and the Boeing 737/737NG program. Approximately $64,000,000 of the total backlog is expected to be delivered during the remainder of 2005. Backlog at October 1, 2005 included approximately $110,000,000 of backlog for the Apache helicopter program, $43,000,000 of backlog for the C-17 program, and $22,000,000 of backlog for the 737/737NG program. Backlog at October 1, 2005 also included for the Space Shuttle program approximately $2,000,000 of backlog, but excluded approximately $33,000,000 of backlog which management no longer considers “firm” in view of the current government funding status of the program. Trends in the Company’s overall level of backlog, however, may not be indicative of trends in future sales because the Company’s backlog is affected by timing differences in the placement of customer orders and because the Company’s backlog tends to be concentrated in several programs to a greater extent than the Company’s sales.

Gross profit, as a percentage of sales, increased to 20.5% in the first nine months of 2005 from 20.2% in the first nine months of 2004. This increase was primarily the result of spreading fixed overhead costs over a higher volume of sales during the first nine months of 2005 compared to the first nine months for 2004.

Selling, general and administrative (“SG&A”) expenses, as a percentage of sales, were 11.8% in the first nine months of 2005, compared to 12.4% in the first nine months of 2004. The reduction in

SG&A expenses, as a percentage of sales, was primarily the result of higher sales volume in the nine months of 2005, partially offset by higher SG&A spending for bonus accruals in 2005, compared to the comparable period of 2004.

Interest income was $322,000 in the first nine months of 2005, compared to interest expense of $241,000 in the first nine months of 2004, primarily due to interest on tax refunds received in 2005 and higher cash balances in 2005, compared to 2004.

Income tax expense increased to $4,433,000 in the first nine months of 2005, compared to $3,431,000 in the first nine months of 2004, primarily due to higher pre-tax income. The Company's effective tax rate for the first nine months of 2005 was 26.2%, compared to 27.0% in the first nine months of 2004. The effective tax rate in the first nine months of 2005 benefited from reductions in income tax reserves established in prior periods and research and development tax credits. The reduction in income tax reserves resulted from the favorable resolution of tax audit examinations and the expiration of certain tax statutes of limitations in the first quarter of 2005. The Company currently expects its effective tax rate for the full year 2005 to be in the range of 26 to 30 percent with significant fluctuations from quarter-to-quarter during the year. Cash expended to pay income taxes increased to $2,237,000 in the first nine months of 2005, compared to $2,172,000 in the first nine months of 2004.

Net income for the first nine months of 2005 was $12,471,000, or $1.22 diluted earnings per share, compared to $9,290,000, or $0.91 diluted earnings per share, in the first nine months of 2004.

Financial Condition

Liquidity and Capital Resources

Net cash provided by operating activities for the first nine months of 2005 was $17,864,000, compared to $1,076,000 for the first nine months of 2004. Net cash provided by operating activities for the first nine months of 2005 included $12,471,000 of net income, $5,652,000 of depreciation, a $2,454,000 reduction in deferred income taxes, a $2,092,000 increase in accounts payable due to timing of payments of vendors invoices and a $2,893,000 increase in bonus accruals, partially offset by an increase in accounts receivable of $6,882,000, primarily due to higher sales and the timing of shipments and billings to customers, a net reduction of $574,000 in accrued contract loss provisions related to shipments made during the first nine months of 2005 and an increase in inventory of $588,000 related to scheduled shipments in 2005 and 2006.

Net cash used in investing activities for the first nine months of 2005 consisted primarily of $3,229,000 of capital expenditures.

Net cash used in financing activities in the first nine months of 2005 of $953,000 included $1,200,000 of net repayments by the Company of principal on outstanding borrowings, partially offset by $247,000 of net cash received from the exercise of common stock options.

The Company continues to depend on operating cash flow and the availability of its bank line of credit to provide short-term liquidity. Cash from operations and bank borrowing capacity are expected to provide sufficient liquidity to meet the Company's obligations during the next twelve months.

The Company has entered into an Amended and Restated Credit Agreement with Bank of America, N.A., as Administrative Agent, Wachovia Bank, National Association, as Syndication Agent, and the other lenders named therein (the "Credit Agreement"). The Credit Agreement provides for an unsecured revolving credit line of $75,000,000 maturing on April 7, 2010. Interest is payable monthly on the outstanding borrowings at Bank of America's prime rate (6.75% at October 1, 2005) plus a spread (0% to 0.50% per annum based on the leverage ratio of the Company) or, at the election of the Company, for terms of up to six months at the LIBOR rate plus a spread (1.00% to 1.75% per annum depending on the leverage ratio of the Company). The Credit Agreement includes minimum fixed charge coverage, maximum leverage and minimum net worth covenants, an unused commitment fee (0.25% to 0.40% per annum depending on the leverage ratio of the Company), and limitations on future dispositions of property, repurchases of common stock, dividends, outside indebtedness, and acquisitions.

The Company expects to spend less than $6,000,000 for capital expenditures in 2005. The Company believes that the ongoing subcontractor consolidation makes acquisitions an increasingly important component of the Company's future growth. In addition due to the ongoing subcontractors consolidations, the Company plans to continue to seek attractive acquisition opportunities and to make substantial capital expenditures for manufacturing equipment and facilities to support long-term contracts for both commercial and military aircraft and space programs.

The Company has made guarantees and indemnities under which it may be required to make payments to a guaranteed or indemnified party, in relation to certain transactions, including revenue transactions in the ordinary course of business. In connection with certain facility leases the Company has indemnified its lessors for certain claims arising from the facility or the lease. The Company

indemnifies its directors and officers to the maximum extent permitted under the laws of the State of Delaware. However, the Company has a directors and officers insurance policy that may reduce its exposure in certain circumstances and may enable it to recover a portion of future amounts that may be payable, if any. The duration of the guarantees and indemnities varies and, in many cases is indefinite but subject to statute of limitations. The majority of guarantees and indemnities do not provide any limitations of the maximum potential future payments the Company could be obligated to make. Historically, payments related to these guarantees and indemnities have been immaterial. The Company estimates the fair value of its indemnification obligations as insignificant based on this history and insurance coverage and has, therefore, not recorded any liability for these guarantees and indemnities in the accompanying consolidated balance sheets. However, there can be no assurances that the Company will not have any future financial exposure under these indemnification obligations.

As of October 1, 2005, the Company had the following categories of contractual obligations (in thousands):

		Payments due by period			
Contractual Obligations	**Total**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Long-term debt	$ —	$ —	$ —	$ —	$—
Operating leases	7,399	2,219	3,308	1,164	708
Minimum pension liabilities	2,117	—	2,117	—	—
Total	$9,516	$2,219	$5,425	$1,164	$708

On June 1, 2005, the Company was served with a summons and complaint in a lawsuit entitled United States of America ex rel Taylor Smith, Jeannine Prewitt and James Ailes v. The Boeing Company and Ducommun Inc., filed in the United States District Court for the District of Kansas. The lawsuit is a qui tam action brought against The Boeing Company ("Boeing") and Ducommun on behalf of the United States of America for violations of the United States False Claims Act. The lawsuit alleges that Ducommun sold unapproved parts to the Boeing Commercial Airplanes-Wichita Division which were installed by Boeing in 32 aircraft ultimately sold to the United States government. The lawsuit seeks damages, civil penalties and other relief from the defendants for presenting or causing to be presented false claims for payment to the United States government. Although the amount of alleged

damages are not specified, the lawsuit seeks damages in an amount equal to three times the amount of damages the United States government sustained because of the defendants' actions, plus a civil penalty of $10,000 for each false claim made on or before September 28, 1999, and $11,000 for each false claim made on or after September 28, 1999, together with attorneys' fees and costs. The Company, at this time, is unable to estimate what, if any, liability it may have in connection with the lawsuit.

The DAS facility located in El Mirage, California has been directed by California environmental agencies to investigate and take corrective action for groundwater contamination. Based upon currently available information, the Company has established a provision for the cost of such investigation and corrective action of $1.5 million. However, the Company's ultimate liability in connection with the contamination will depend upon a number of factors, including changes in existing laws and regulations, and the design and cost of the construction, operation and maintenance of the corrective action.

The Company's subsidiary, Composite Structures, LLC ("Composite"), and several other companies have been ordered by a California environmental agency to investigate and clean up soil and groundwater contamination at its Monrovia, California facility. The Company has recorded a provision for this matter and does not presently expect that the matter will have a material adverse effect on its consolidated financial position or results of operations.

In December 2004, a California environmental agency issued an order to DAS and other companies and government entities which allegedly sent hazardous waste to a landfill in West Covina, California. The order directs DAS and the other companies and government entities to take over the closure and post-closure operation of the landfill and to take certain other actions. The Company, at this time, is unable to estimate reliably its future liability in connection with the landfill. Based on currently available information, the Company preliminarily estimates that the range of its future liability in connection with the landfill is between approximately $164,000 and $3.5 million. The Company has recorded a provision at the minimum amount of the range of approximately $164,000.

In December 2004, the Orange County Water District filed a lawsuit against American Electronic, Inc. ("AEI"), a subsidiary of the Company, and other companies, to recover damages, relating to contamination of groundwater within the District. The Company has recorded a provision for this matter and does not presently expect that the matter will have a material adverse effect on its consolidated financial position or results of operations.

In the normal course of business, Ducommun and its subsidiaries are defendants in certain other litigation, claims and inquiries, including matters relating to environmental laws. In addition, the Company makes various commitments and incurs contingent liabilities. While it is not feasible to predict the outcome of these matters, the Company does not presently expect that any sum it may be required to pay in connection with these matters would have a material adverse effect on its consolidated financial position, results of operations or cash flows.

Off-Balance Arrangements

The Company's off-balance sheet arrangements consist of operating leases.

Critical Accounting Policies

Critical accounting policies are those accounting policies that can have a significant impact on the presentation of our financial condition and results of operations, and that require the use of subjective estimates based upon past experience and management's judgment. Because of the uncertainty inherent in such estimates, actual results may differ from these estimates. Below are those policies applied in preparing our financial statements that management believes are the most dependent on the application of estimates and assumptions. For additional accounting policies, see Note 1 of "Notes to Consolidated Financial Statements."

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, the price is fixed or determinable, collection is reasonably assured and delivery of products has occurred or services have been rendered. Revenue is recognized under long-term contracts on the same basis as other sale transactions.

Provision for Estimated Losses on Contracts

The Company records provisions for estimated losses on contracts in the period in which such losses are identified. The provisions for estimated losses on contracts require management to make certain estimates and assumptions, including with respect to the future revenue under a contract and the future cost to complete the contract. Management's estimate of the future cost to complete a contract may include assumptions as to improvements in manufacturing efficiency and reductions in operating

and material costs. If any of these or other assumptions and estimates are not recognized in the future, the Company may be required to record additional provisions for estimated losses on contracts.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses from the inability of customers to make required payments. The allowance for doubtful accounts is evaluated periodically based on the aging of accounts receivable, the financial condition of customers and their payment history, historical write-off experience and other assumptions. The determination of the allowance for doubtful accounts requires management to make estimates as to these and other factors on the ultimate realization of accounts receivable. These estimates historically have not resulted in material adjustments in subsequent periods when the estimates were adjusted to actual amounts.

Inventories

Inventories are stated at the lower of cost or market, cost being determined on a first-in, first-out basis. Inventoried costs include raw materials, outside processing, direct labor and allocated overhead, but do not include any selling, general and administrative expense. Costs under long-term contracts are accumulated into, and removed from, inventory on the same basis as other contracts. The Company assesses the inventory carrying value and reduces it if necessary to its net realizable value based on customer orders on hand, and internal demand forecasts using management’s best estimates given information currently available. The Company’s customer demand is highly unpredictable, and can fluctuate significantly caused by factors beyond the control of the Company. The Company maintains an allowance for inventories for potentially excess and obsolete inventories and inventories that are carried at costs that are higher than their estimated net realizable values. If market conditions are less favorable than those projected by management, such as an unanticipated decline in demand not meeting expectations, inventory write-downs may be required.

Goodwill

The Company’s business acquisitions have typically resulted in goodwill, which affects the amount of possible impairment expense that the Company may incur. The determination of the value of goodwill requires management to make estimates and assumptions that affect the Company’s

consolidated financial statements. The Company performs goodwill impairment tests on an annual basis in the fourth quarter and between annual tests, in certain circumstances, whenever events may indicate an impairment may have occurred. Goodwill is tested for impairment utilizing a two-step method. In the first step, the Company determines the fair value of the reporting unit using expected future discounted cash flows and other market valuation approaches. If the net book value of the reporting unit exceeds the fair value, the Company would then perform the second step of the impairment test which requires allocation of the reporting unit's fair value of all of its assets and liabilities in a manner similar to a purchase price allocation, with any residual fair value being allocated to goodwill. The fair value of the goodwill is then compared to the carrying amount to determine impairment. An impairment charge will be recognized only when the implied fair value of a reporting unit, including goodwill, is less than its carrying amount. In assessing the recoverability of the Company's goodwill, management must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. If these estimates or their related assumptions change in the future, the Company may be required to record impairment charges for these assets. In the event that a goodwill impairment charge is required, it would adversely affect the operating results and financial condition of the Company. Goodwill at October 1, 2005 and December 31, 2004 was $57,201,000.

Recent Accounting Pronouncements

In October 2005, the Financial Accounting Standards Board ("FASB") announced that FSP No. 13-1, "Accounting for Rental Costs Incurred during a Construction Period," is effective for reporting periods beginning after December 15, 2005. This Position concludes that rental costs incurred during and after a construction period are for the right to control the use of a leased asset during and after construction of a lessee asset, and that there is no distinction between the right to use a leased asset during the construction period and the right to use that asset after the construction period. This Position requires that rental costs associated with ground or building operating leases that are incurred during a construction period be recognized as rental expense, included in income from continuing operations. We do not expect the adoption of FSP No. 13-1 to have an impact on our financial condition, results of operations or cash flows.

In May 2005, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 154, "Accounting Changes and Error Corrections – a replacement of APB Opinion No. 20 and FASB Statement No. 3." This Statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This Statement will be effective for fiscal years beginning after December 15, 2005. The Company will adopt

this Statement when it becomes effective. The adoption of this Statement could have a significant impact on the Company's financial results of operations and financial position, should there be a change in accounting principle once this Statement is implemented.

In December 2004, Statement of Financial Accounting Standards No. 123R, "Share-Based Payment" ("SFAS No. 123R"), which finalized the new accounting rules for share-based compensation including stock options, restricted stock and performance based equity compensation, was issued. SFAS No. 123R is an amendment to FASB Statement No. 123 and supersedes APB Opinion No. 25. SFAS No. 123R will be effective for the Company in the first quarter of 2006. Beginning in January 1, 2006 all stock options or other equity-based awards to employees or directors that vest or become exercisable must be accounted for under SFAS No. 123R. Management is in the process of assessing the impact SFAS No. 123R will have on the Company's consolidated financial statements.

On October 22, 2004, the President signed the American Jobs Creation Act of 2004 ("the Act"). For companies that pay income taxes on manufacturing activities in the U.S., the Act provides a deduction from taxable income equal to a stipulated percentage of qualified income from domestic production activities, which will be phased-in from 2005 through 2010. The Act also provides for a two-year phase-out of the existing extraterritorial income ("ETI") exclusion now in place. The Company currently derives benefit from the ETI exclusion. The Act reduces the Company's ETI exclusion for 2005 and 2006 to 80% and 60% of the otherwise allowable exclusion. No exclusion will be available in 2007 and beyond.

Under the guidance in FASB Staff Position No. FAS 109-1, the deduction for qualified domestic production activities will be treated as a "special deduction" as described in FASB Statement No. 109. As such, the special deduction has no effect on deferred tax assets and liabilities existing at the enactment date. Rather, the impact of this deduction will be reported in the period in which the deduction is claimed on our tax return.

In November 2004, Statement of Financial Accounting Standards No. 151, "Inventory Costs, an Amendment of ARB No. 43, Chapter 4" ("SFAS No. 151"), was issued. The amendments made by SFAS No. 151 clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges and require the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. SFAS No. 151 will become effective for the Company beginning in fiscal 2006. Management is in the process of assessing the impact SFAS No. 151 will have on the Company's consolidated financial statements.

Additional Risk Factors

The Company's business, financial condition, results of operations and cash flows may be affected by known and unknown risks, uncertainties and other factors. Any of these risks, uncertainties and other factors could cause the Company's future financial results to differ materially from recent financial results or from currently anticipated future financial results. In addition to those noted elsewhere in this report, the Company is subject to the following risks and uncertainties:

Aerospace Markets Are Cyclical

The aerospace markets in which the Company sells its products are cyclical and have experienced periodic declines. The Company's sales are, therefore, unpredictable and tend to fluctuate based on a number of factors, including economic conditions and developments affecting the aerospace industry and the customers served. Although the market for the Company's products sold for new commercial aircraft production currently appears to be experiencing a slight improvement, any downturn in commercial aircraft production could have a negative impact on the Company's business, financial condition and operating results.

Military and Space-Related Products Are Dependent Upon Government Spending

The Company estimates that, in the third quarter of 2005, approximately 63% of its sales were derived from military and space markets. These military and space markets are largely dependent upon government spending, particularly by the United States government. Changes in the levels of spending for military and space could improve or negatively impact the Company's prospects in its military and space markets. Funding for the Space Shuttle program, in particular, is uncertain, and any reduction in production rates for the Space Shuttle program would adversely affect the Company.

The Company Is Dependent on Boeing Commercial Aircraft, the C-17 Aircraft and Apache Helicopter Programs

In the third quarter of 2005, approximately 17% of the Company's sales were for Boeing commercial aircraft, 12% of its sales were for the C-17 aircraft, and 21% of its sales were for the Apache helicopter. The Company's sales for Boeing commercial aircraft and the C-17 aircraft are principally for new aircraft production; and the Company's sales for the Apache helicopter are principally for replacement rotor blades. Any significant change in production rates for these programs would have a

material effect on the Company’s results of operations and cash flows. In addition, there is no guarantee that the Company’s current significant customers will continue to buy products from the Company at current levels. The loss of a key customer could have a material adverse effect on the Company. For example, the Company manufactures the spoilers for the Boeing 737NG aircraft (the “737 Spoilers”), which contributed approximately $13,870,000 to sales in 2004. The Company has been informed that a competitor has been awarded a contract to produce the 737 Spoilers. Although the precise timing and amount of any transition of work to the competitor is presently unknown, such a transition of work may occur as early as the end of 2006.

Terrorist Attacks May Adversely Impact the Company’s Operations

There can be no assurance that the current world political and military tensions, or the United States military actions, will not lead to acts of terrorism and civil disturbances in the United States or elsewhere. These attacks may strike directly at the physical facilities of the Company, its suppliers or its customers. Such attacks could have an adverse impact on the Company’s domestic and international sales, supply chain, production capabilities, insurance premiums or ability to purchase insurance, thereby adversely affecting the Company’s financial position, results of operations and cash flows. In addition, the consequences of terrorist attacks and armed conflicts are unpredictable, and their long-term effects upon the Company are uncertain.

The Company Is Experiencing Competitive Pricing Pressures

The aerospace industry is highly competitive and competitive pressures may adversely affect the Company. The Company competes worldwide with a number of United States and international companies that are larger than it in terms of resources and market share. The Company is experiencing competitive pricing pressures in both its DAS and DTI businesses. These competitive pricing pressures have had, and are expected to continue to have, a material adverse effect on the Company’s business, financial condition and operating results.

The Company Faces Risks of Cost Overruns and Losses on Fixed-Price Contracts

The Company sells its products under firm, fixed-price contracts providing for a fixed price for the products regardless of the production costs incurred by the Company. As a result, manufacturing inefficiencies, start-up costs and other factors may result in cost overruns and losses on contracts. The

cost of producing products also may be adversely affected by increases in the cost of labor, materials, outside processing, overhead and other factors. In many cases, the Company makes multiyear firm, fixed-price commitments to its customers, without assurance that the Company's anticipated production costs will be achieved.

The Company's Products and Processes Are Subject to Risks from Changes in Technology

The Company's products and processes are subject to risks of obsolescence as a result of changes in technology. To address this risk, the Company invests in product design and development, and for capital expenditures. There can be no guarantee that the Company's product design and development efforts will be successful, or that the amounts of money required to be invested for product design and development and capital expenditures will not increase materially in the future.

The Company Faces Risks Associated with Acquisitions and Dispositions of Businesses

A key element of the Company's long-term strategy has been growth through acquisitions. The Company is continuously reviewing and actively pursuing acquisitions, including acquisitions outside of its current aerospace markets. Acquisitions may require the Company to incur additional indebtedness, resulting in increased leverage. Any significant acquisition may result in a material weakening of the Company's financial position and a material increase in the Company's cost of borrowings. Acquisitions also may require the Company to issue additional equity, resulting in dilution to existing stockholders. This additional financing for acquisitions may not be available on terms acceptable or favorable to the Company. Acquired businesses may not achieve anticipated results, and could result in a material adverse effect on the Company's financial condition, results of operations and cash flows. The Company also periodically reviews its existing businesses to determine if they are consistent with the Company's strategy. The Company has sold, and may sell in the future, business units and product lines, which may result in either a gain or loss on disposition.

The Company's acquisition strategy exposes it to risks, including the risk that the Company may not be able to successfully integrate acquired businesses. The Company's ability to grow by acquisition is dependent upon, among other factors, the availability of suitable acquisition candidates. Growth by acquisition involves risks that could have a material adverse affect on the Company's business, financial condition and operating results, including difficulties in integrating the operations and personnel of acquired companies, the potential amortization of acquired intangible assets, the potential impairment of goodwill and the potential loss of key employees of acquired companies. The Company

may not be able to consummate acquisitions on satisfactory terms or, if any acquisitions are consummated, to satisfactorily integrate these acquired businesses.

Goodwill Could Be Impaired in the Future

In assessing the recoverability of the Company's goodwill at December 31, 2004, management was required to make certain critical estimates and assumptions. These estimates and assumptions, with respect to the Company's DAS reporting unit, included that during the next several years DAS will make improvements in manufacturing efficiency, achieve reductions in operating costs, and obtain increases in sales and backlog. If any of these or other estimates and assumptions are not realized in the future, the Company may be required to record an impairment charge for the goodwill of DAS. The goodwill of DAS was $36,785,000 at December 31, 2004.

Significant Consolidation in the Aerospace Industry Could Adversely Affect the Company's Business and Financial Results

The aerospace industry is experiencing significant consolidation, in which the Company's customers, competitors and suppliers are participating. Consolidation among the Company's customers may result in delays in the award of new contracts and losses of existing business. Consolidation among the Company's competitors may result in larger competitors with greater resources and market share, which could adversely affect the Company's ability to compete successfully. Consolidation among the Company's suppliers may result in fewer sources of supply and increased cost to the Company.

The Company's Failure to Meet Quality or Delivery Expectations of Customers Could Adversely Affect the Company's Business and Financial Results

The Company's customers have increased, and are expected to increase further in the future, their expectations with respect to the on-time delivery and quality of the Company's products. In many cases, the Company does not presently satisfy these customer expectations, particularly with respect to on-time delivery. If the Company fails to meet the quality or delivery expectations of its customers, this failure could lead to the loss of one or more significant customers of the Company.

The Company's Manufacturing Operations May Be Adversely Affected by the Availability of Raw Materials and Components from Suppliers

In some cases, the Company's customers supply raw materials and components to the Company. In other cases, the Company's customers designate specific suppliers from which the Company is directed to purchase raw materials and components. As a result, the Company may have limited control over the selection of suppliers and the timing of receipt and cost of raw materials and components from suppliers. The failure of customers and suppliers to deliver on a timely basis raw materials and components to the Company may adversely affect the Company's results of operations and cash flows. In addition, the Company has experienced increases in lead times for, and a deterioration in the availability of, aluminum, titanium and certain other materials. These problems with raw material availability could have an adverse effect on the Company's results of operations in the future.

Environmental Liabilities Could Adversely Affect the Company's Financial Results

The Company is subject to various environmental laws and regulations. The Company is investigating and taking corrective action for groundwater contamination at its DAS subsidiary's El Mirage, California site. The Company is also a potentially responsible party at certain sites at which it previously disposed of hazardous wastes or previously had manufacturing operations. There can be no assurance that future developments, lawsuits and administrative actions, and liabilities relating to environmental matters will not have a material adverse effect on the Company's results of operations or cash flows.

The DAS chemical milling business uses various acid and alkaline solutions in the chemical milling process, resulting in potential environmental hazards. Despite existing waste recovery systems and continuing capital expenditures for waste reduction and management, at least for the immediate future, this business will remain dependent on the availability and cost of remote hazardous waste disposal sites or other alternative methods of disposal.

Product Liability Claims in Excess of Insurance Could Adversely Affect the Company's Financial Results and Financial Condition

The Company faces potential liability for personal injury or death as a result of the failure of products designed or manufactured by the Company. Although the Company maintains product liability insurance, any material product liability not covered by insurance could have a material adverse effect on the Company's financial condition, results of operations and cash flows.

Damage or Destruction of the Company's Facilities Caused by Earthquake or Other Causes Could Adversely Affect the Company's Financial Results and Financial Condition

Although the Company maintains standard property casualty insurance covering its properties, the Company does not carry any earthquake insurance because of the cost of such insurance. Most of the Company’s properties are located in Southern California, an area subject to frequent and sometimes severe earthquake activity. Even if covered by insurance, any significant damage or destruction of the Company’s facilities could result in the inability to meet customer delivery schedules and may result in the loss of customers and significant additional costs to the Company. As a result, any significant damage or destruction of the Company’s properties could have a material adverse effect on the Company’s business, financial condition or results of operations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

The Company's chief executive officer and chief financial officer have concluded, based on an evaluation of the Company's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(c)), that such disclosure controls and procedures were effective as of the end of the period covered by this report. No change in the Company's internal control over financial reporting occurred during the period covered by this report that has materially affected, or is reasonable likely to materially affect, the Company's internal control over financial reporting except as indicated below.

Item 1. Legal Proceedings

On June 1, 2005, the Company was served with a summons and complaint in a lawsuit entitled United States of America ex rel Taylor Smith, Jeannine Prewitt and James Ailes v. The Boeing Company and Ducommun Inc., filed in the United States District Court for the District of Kansas. The lawsuit is a qui tam action brought against The Boeing Company ("Boeing") and Ducommun on behalf of the United States of America for violations of the United States False Claims Act. The lawsuit alleges that Ducommun sold unapproved parts to the Boeing Commercial Airplanes-Wichita Division which were installed by Boeing in 32 aircraft ultimately sold to the United States government. The lawsuit seeks damages, civil penalties and other relief from the defendants for presenting or causing to be presented false claims for payment to the United States government. Although the amount of alleged damages are not specified, the lawsuit seeks damages in an amount equal to three times the amount of damages the United States government sustained because of the defendants' actions, plus a civil penalty of $10,000 for each false claim made on or before September 28, 1999, and $11,000 for each false claim made on or after September 28, 1999, together with attorneys' fees and costs. The Company, at this time, is unable to estimate what, if any, liability it may have in connection with the lawsuit.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c)

Issuer Purchases of Equity Securities For the Three Months Ended October 1, 2005

Period	*Total Number of Shares (or Units) Purchased* [*]	*Average Price Paid per Share (or Unit)*	*Total Number of Shares (or Units) Purchased as Part of Publicy Announced Plans or Programs*	*Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs* [**]
Month beginning July 03, 2005 and ending July 30, 2005	0	$ 0.00	0	$ 4,704,000
Month beginning July 31, 2005 and ending August 27, 2005	7,237	$ 22.02	0	$ 4,704,000
Month beginning August 28, 2005 and ending October 01, 2005	6,250	$ 22.10	0	$ 4,704,000
Total	13,487	$ 22.06	0	$ 4,704,000

[*] All shares repurchased were made pursuant to stock-for-stock exercises of nonqualified stock options under the Company's stock option and stock incentive plans.

[**] Since 1998, the Company’s Board of Directors has authorized the repurchase of up to $30,000,000 of its common stock. From 1998 to 2001, the Company repurchased in the open market 1,918,962 shares of its common stock for a total of $25,296,000. A total of $4,704,000 remains available for share repurchase under the authorization which has no expiration date.

Item 6. Exhibits.

11	Reconciliation of Numerators and Denominators of the Basic and Diluted Earnings Per Share Computations.
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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.

DUCOMMUN INCORPORATED
(Registrant)

By: /s/ James S. Heiser
James S. Heiser
Vice President, Chief Financial Officer
And General Counsel
(Duly Authorized Officer of the Registrant)

By: /s/ Samuel D. Williams
Samuel D. Williams
Vice President and Controller
(Chief Accounting Officer of the Registrant)

Date: November 1, 2005

EXHIBIT 11

DUCOMMUN INCORPORATED AND SUBSIDIARIES
RECONCILIATION OF THE NUMERATORS AND DENOMINATORS OF
THE BASIC AND DILUTED EARNINGS PER SHARE COMPUTATIONS

	For the Quarter Ended October 1, 2005		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income Available to Common Stockholders	$4,315,000	10,069,000	$ 0.43
Effect of Dilutive Securities			
Stock Options	—	153,000	
Diluted EPS			
Income Available to Common Stockholders			
+ Assumed Conversions	$4,315,000	10,222,000	$ 0.42

	For the Quarter Ended October 2, 2004		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income Available to Common Stockholders	$2,752,000	9,990,000	$ 0.28
Effect of Dilutive Securities			
Stock Options	—	183,000	
Diluted EPS			
Income Available to Common Stockholders			
+ Assumed Conversions	$2,752,000	10,173,000	$ 0.27

	For the Nine Months Ended October 1, 2005		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income Available to Common Stockholders	$ 12,471,000	10,058,000	$ 1.24
Effect of Dilutive Securities			
Stock Options	—	132,000	
Diluted EPS			
Income Available to Common Stockholders + Assumed Conversions	$ 12,471,000	10,190,000	$ 1.22

	For the Nine Months Ended October 2, 2004		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income Available to Common Stockholders	$ 9,290,000	9,959,000	$ 0.93
Effect of Dilutive Securities			
Stock Options	—	205,000	
Diluted EPS			
Income Available to Common Stockholders + Assumed Conversions	$ 9,290,000	10,164,000	$ 0.91

Exhibit 31.1

Certification of Principal Executive Officer
Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Joseph C. Berenato, certify that:

1. I have reviewed this Quarterly Report of Ducommun Incorporated (the “registrant”) on Form 10-Q for the period ended October 1, 2005;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (defined in Exchange Act Rules 13a - 15(f) and 15d - 15(f)), for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 1, 2005

/s/ Joseph C. Berenato
Joseph C. Berenato
Chairman and Chief Executive Officer

Exhibit 31.2

Certification of Principal Financial Officer
Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, James S. Heiser, certify that:

1. I have reviewed this Quarterly Report of Ducommun Incorporated (the "registrant") on Form 10-Q for the period ended October 1, 2005;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (defined in Exchange Act Rules 13a - 15(f) and 15d - 15(f)), for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2005

/s/ James S. Heiser
James S. Heiser
Vice President and Chief Financial Officer

Exhibit 32

Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of
the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Ducommun Incorporated (the "Company") on Form 10-Q for the period ending October 1, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Joseph C. Berenato, Chairman and Chief Executive Officer of the Company, and James S. Heiser, Vice President and Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

By: /s/ Joseph C. Berenato
Joseph C. Berenato
Chairman and Chief Executive Officer

By: /s/ James S. Heiser
James S. Heiser
Vice President and Chief Financial Officer

Date: November 1, 2005

The foregoing certification is accompanying the Form 10-Q solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being filed as part of the Form 10-Q or as a separate disclosure document.