FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended April 4, 1998

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.

111 West Ocean Boulevard, Suite 900, Long Beach, California 90802

(Address of principal executive offices) (Zip Code)

(562) 624-0800

(Registrant's telephone number, including area code)

23301 S. Wilmington Avenue, Carson, California 90745

(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 [X] 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 April 4, 1998, there were outstanding 7,469,768 shares of common stock.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	April 4, 1998	December 31, 1997
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 3,418	$ 2,156
Accounts receivable (less allowance for doubtful accounts of $190 and $359)	18,598	19,189
Inventories	23,793	24,604
Deferred income taxes	4,466	4,612
Prepaid income taxes	877	2,877
Other current assets	2,783	2,053
Total Current Assets	53,935	55,491
Property and Equipment, Net	34,476	30,594
Deferred Income Taxes	380	380
Excess of Cost Over Net Assets Acquired (Net of Accumulated Amortization of $5,153 and $4,832)	16,587	16,907
Other Assets	1,096	869
	$ 106,474	$ 104,241
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt (Note 4)	$ 809	$ 919
Accounts payable	9,066	9,024
Accrued liabilities	14,247	15,366
Total Current Liabilities	24,122	25,309
Long-Term Debt (Note 4)	4,740	4,884
Other Long-Term Liabilities	345	345
Total Liabilities	29,207	30,538
Commitments and Contingencies (Note 5)		
Shareholders' Equity:		
Common stock -- $.01 par value; authorized 12,500,000 shares; issued and outstanding 7,469,768 shares in 1998 and 7,454,198 in 1997	74	74
Additional paid-in capital	59,519	59,497
Retained earnings	17,674	14,132
Total Shareholders' Equity	77,267	73,703
	$ 106,474	$ 104,241

See accompanying notes to consolidated financial statements.

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

	For Three Months Ended	
	April 4, 1998	March 29, 1997
Net Sales	$ 43,261	$ 35,305
Operating Costs and Expenses:		
Cost of goods sold	29,477	24,201
Selling, general and administrative expenses	7,698	6,365
Total Operating Costs and Expenses	37,175	30,566
Operating Income	6,086	4,739
Interest Expense	(83)	(201)
Income Before Taxes	6,003	4,538
Income Tax Expense	(2,461)	(1,908)
Net Income	$ 3.542	$ 2,630
Earnings Per Share:		
Basic earnings per share	$ .47	$ .36
Diluted earnings per share	.45	.33
Weighted Average Number of Common Shares for Computation of Earnings Per Share:		
Basic earnings per share	7,463	7,307
Diluted earnings per share	7,885	7,904

See accompanying notes to consolidated financial statements.

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

	For Three Months Ended	
	April 4, 1998	March 29, 1997
Cash Flows from Operating Activities:		
Net Income	$ 3,542	$ 2,630
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and amortization	1,407	1,314
Deferred income tax provision	146	1,352
Other	55	--
Changes in Assets and Liabilities, Net		
Accounts receivable	591	(2,135)
Inventories	811	(980)
Prepaid income taxes	2,000	--
Other assets	(957)	279
Accounts payable	42	1,008
Accrued and other liabilities	(1,119)	(2,135)
Net Cash Provided by Operating Activities	6,518	1,333
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(5,024)	(1,820)
Net Cash Used in Investing Activities	(5,024)	(1,820)
Cash Flows from Financing Activities:		
Net Repayment of Long-Term Debt	(254)	(83)
Other	22	34
Net Cash Used in Financing Activities	(232)	(49)
Net Increase (Decrease) in Cash and Cash Equivalents	1,262	(536)
Cash and Cash Equivalents, Beginning of Period	2,156	571
Cash and Cash Equivalents, End of Period	$ 3,418	$ 35
Supplemental Disclosures of Cash Flows Information:		
Interest Expense Paid	$ 104	$ 263
Income Taxes Paid	$ 54	$ 350

See accompanying notes to consolidated financial statements.

DUCOMMUN INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS

Note 1. The consolidated balance sheets, consolidated statements of income and consolidated statements of cash flows are unaudited as of and for the three months ended April 4, 1998 and March 29, 1997. The financial information included in the quarterly report should be read in conjunction with the Company's consolidated financial statements and the related notes thereto included in its annual report to shareholders for the year ended December 31, 1997.

Note 2. Certain amounts and disclosures included in the consolidated financial statements required management to make estimates which could differ from actual results.

Note 3. Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding in each period. Diluted earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding plus any potential dilution that could occur if stock options were exercised or converted into common stock in each period. For the three months ended April 4, 1998 and March 29, 1997, income available to common stockholders was $3,542,000 and $2,630,000, respectively. The weighted average number of common shares outstanding for the three months ended April 4, 1998 and March 29, 1997 were 7,463,000 and 7,307,000 and the dilutive shares associated with stock options were 422,000 and 597,000, respectively.

Note 4. Long-term debt is summarized as follows:

	(In thousands)	
	April 4, 1998	December 31, 1997
Term and real estate loans	$ 5,020	$ 5,181
Promissory notes related to acquisitions	529	622
Total debt	5,549	5,803
Less current portion	809	919
Long-term debt, less current portion	$ 4,740	$ 4,884

The Company's bank credit agreement provides for a $40,000,000 unsecured revolving credit line with an expiration date of July 1, 1999. Interest is payable monthly on the outstanding borrowings based on the bank's prime rate (8.50% per annum at April 4, 1998) minus 0.25%. A Eurodollar pricing option is also available to the Company for terms of up to six months at the Eurodollar rate plus a spread based on the leverage ratio of the Company calculated at the end of each fiscal quarter (1.00% at April 4, 1998). At April 4, 1998, the Company had $40,000,000 of unused lines of credit available. The credit agreement includes fixed charge coverage and maximum leverage ratios, and limitations on future dividend payments and outside indebtedness.

The carrying amount of long-term debt approximates fair value based on the terms of the related debt, recent transactions and estimates using interest rates currently available to the Company for debt with similar terms and remaining maturities.

Note 5. Contingencies

Ducommun's subsidiary, Aerochem, Inc. ("Aerochem"), is a major supplier of chemical milling services for the aerospace industry. Aerochem has been directed by California environmental agencies to investigate and take corrective action for groundwater contamination at its El Mirage, California facility (the "Site"). Aerochem expects to spend approximately $1 million for future investigation and corrective action at the Site, and the Company has established a provision for such costs. However, the Company's ultimate liability in connection with the Site 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 correction action.

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 or results of operations.

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

FINANCIAL STATEMENT PRESENTATION

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.

RESULTS OF OPERATIONS

First Quarter of 1998 Compared to First Quarter of 1997

Net sales increased 23% to $43,261,000 in the first quarter of 1998. The increase resulted from a broad-based increase in sales in most of the Company's product lines due to improved industry conditions and new contract awards.

The Company had substantial sales to Boeing and Lockheed Martin. During the first quarter of 1998 and 1997, sales to Boeing were approximately $11,396,000 and $8,098,000, respectively; and sales to Lockheed Martin were approximately $4,736,000 and $4,134,000, respectively. The sales relating to Boeing and Lockheed Martin are diversified over a number of different commercial, space and military programs.

At April 4, 1998, backlog believed to be firm was approximately $168,200,000 compared to $148,000,000 at March 29, 1997 and $155,700,000 at December 31, 1997. Approximately $87,000,000 of the total backlog is expected to be delivered during 1998.

Gross profit, as a percentage of sales, was 31.9% for the first quarter of 1998 compared to 31.5% in 1997. This increase was primarily the result of changes in sales mix and economies of scale resulting from sales increases.

Selling, general and administrative expenses, as a percentage of sales, were 17.8% for the first quarter of 1998 compared to 18.0% in 1997. The decrease in these expenses as a percentage of sales was primarily the result of higher sales volume partially offset by an increase in related period costs.

Interest expense decreased approximately 59% to $83,000 in the first quarter of 1998 compared to $201,000 for 1997. The decrease in interest expense was primarily due to lower debt levels.

Income tax expense increased to $2,461,000 in the first quarter of 1998 compared to $1,908,000 for 1997. The increase in income tax expense was primarily due to the increase in income before taxes. Cash paid for income taxes was $54,000 in the first quarter of 1998, compared to $350,000 in 1997.

Net income for the first quarter of 1998 was $3,542,000, or $0.45 diluted earnings per share, compared to $2,630,000, or $0.33 diluted earnings per share, in 1997.

FINANCIAL CONDITION

Liquidity and Capital Resources

Cash flow from operating activities for the first three months ended April 4, 1998 was $6,518,000, compared to $1,333,000 for the first quarter ended March 29, 1997. 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 1998.

The Company's bank credit agreement provides for a $40,000,000 unsecured revolving credit line with an expiration date of July 1, 1999. At April 4, 1998, the Company had $40,000,000 of unused lines of credit available. See Note 4 to the Notes to Consolidated Financial Statements.

The Company spent $5,024,000 on capital expenditures during the first three months of 1998 and expects to spend approximately $16,000,000 for capital expenditures in 1998. The Company plans to make substantial capital expenditures in 1998 primarily for manufacturing equipment and facilities to support long-term aerospace structure contracts for both commercial and military aircraft and space programs. These expenditures are expected to place the Company in a favorable competitive position among aerospace subcontractors, and to allow the Company to take advantage of the offload requirements from its customers.

Ducommun's subsidiary, Aerochem, Inc. ("Aerochem"), is a major supplier of chemical milling services for the aerospace industry. Aerochem has been directed by California environmental agencies to investigate and take corrective action for groundwater contamination at its El Mirage, California facility (the "Site"). Aerochem expects to spend approximately $1 million for future investigation and corrective action at the Site, and the Company has established a provision for such costs. However, the Company's ultimate liability in connection with the Site 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 correction action.

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 or results of operations.

Any forward looking statements made in this Form 10-Q report involve risks and uncertainties. The Company's future financial results could differ materially from those anticipated due to the Company's dependence on conditions in the airline industry, the level of new commercial aircraft orders, the production rate for the Space Shuttle program, the level of defense spending, competitive pricing pressures, technology and product development risks and uncertainties, product performance, risks associated with acquisitions and dispositions of businesses by the Company, increasing consolidation of customers and suppliers in the aerospace industry, and other factors beyond the Company's control.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Comprehensive Income" ("SFAS 130"), and No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). In February 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 132, "Employers' Disclosures about Pension and Other Postretirement Benefits" ("SFAS 132"). SFAS 130, 131 and 132 will become effective for the Company in 1998. The adoption of SFAS 130, 131 and 132 is not expected to have a material effect on the Company's financial statements.

The Company has commenced, for its systems, a year 2000 date conversion project to address necessary code changes, testing, and implementation. Project completion is planned for the beginning of 1999 at a cost that is not expected to be material to the Company. The Company expects its year 2000 date conversion project to be completed on a timely basis. However, there can be no assurance that the systems of other companies on which the Company's systems rely also will be timely converted or that any such failure to convert by another company would not have an adverse effect on the Company's systems. Maintenance or modification costs will be expensed as incurred, while the cost of new software will be capitalized and amortized over the software's useful life.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Inapplicable.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) The following exhibits are filed with this report

27 Financial Data Schedule

(b) No reports on Form 8-K were filed during the quarter for which this report is filed.

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: April 28, 1998

EXHIBIT INDEX

Exhibit Number	Description
27	Financial Data Schedule

5
1,000

3-MOS
DEC-31-1998
JAN-01-1998
APR-04-1998
3,418
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18,788
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