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

FORM 10-K

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

For the fiscal year ended December 31, 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 No. 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	90802-4632
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (562) 624-0800

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

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	New York Stock Exchange

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

None
(Title of Class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by nonaffiliates of the registrant was approximately $115,000,000 as of January 31, 1999.

The number of shares of common stock outstanding on January 31, 1999 was 10,417,349.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference:

(a) Annual Report to Shareholders (the "1998 Annual Report") for the year ended December 31, 1998, incorporated partially in Part I and Part II hereof (see Exhibit 13), and

(b) Proxy Statement for the 1999 Annual Meeting of Shareholders (the "1999 Proxy Statement"), incorporated partially in Part III hereof.

FORWARD-LOOKING STATEMENTS AND RISK FACTORS

Certain statements in the Form 10-K and documents incorporated by reference contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Any such forward-looking statements 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.

PART I

ITEM 1. BUSINESS

During 1998, Ducommun Incorporated ("Ducommun"), through its subsidiaries (collectively, the "Company"), manufactured components and assemblies principally for domestic and foreign commercial and military aircraft and space programs. Domestic commercial aircraft programs include the Boeing 717, 737, 737NG, 747, 757, 767 and 777. Foreign commercial aircraft programs include the Airbus Industrie A330, A340 and A340-600 aircraft, Bombardier Business and Regional Jets and Dash 8. Major military aircraft programs include the Boeing C-17, F-15 and F-18, Lockheed Martin F-16 and C-130, various Sikorsky, Bell, Boeing and Augusta helicopter programs, and advanced development programs. The Company is a subcontractor to Lockheed Martin on the Space Shuttle external tank and a supplier of components for the Space Shuttle Orbitor, as well as for Space Station Freedom. The Company manufactures components for Atlas/Centaur, Delta and Titan expendable launch vehicles, Kistler K-1 reusable launch vehicles, and various telecommunications satellites.

In June 1998, the Company acquired the capital stock of American Electronics, Inc. ("AEI"). In June 1996, the Company acquired substantially all of the assets and assumed certain liabilities of MechTronics of Arizona, Inc.

Aerochem, Inc.

Ducommun's subsidiary, Aerochem, Inc. ("Aerochem"), is a major supplier of close tolerance chemical milling services for the aerospace and aircraft industries. Chemical milling removes material in specific patterns to reduce weight in areas where full material thickness is not required. This sophisticated etching process enables Aerochem to produce lightweight, high-strength designs that would be impractical to produce by conventional means. Jet engine components, wing leading edges and fuselage skins are examples of products that require chemical milling.

Aerochem offers production-scale chemical milling on aluminum, titanium, steel, nickel-base and super alloys. Aerochem also specializes in very large and complex parts up to 50 feet long. Management believes that Aerochem is the largest independent supplier of chemical milling services in the United States. Many of the parts chemically milled by Aerochem are formed and machined by AHF-Ducommun Incorporated.

AHF-Ducommun Incorporated

AHF-Ducommun Incorporated ("AHF"), another Ducommun subsidiary, supplies aircraft and aerospace prime contractors with engineering, manufacturing and testing of complex components using stretch forming and thermal forming processes and computer-controlled machining. Stretch forming is a process for manufacturing large, complex structural shapes primarily from aluminum sheet metal extrusions. AHF has some of the largest and most sophisticated stretch forming presses in the United States. Thermal forming is a metal working process conducted at high temperature for manufacturing close tolerance titanium components. AHF designs and manufactures the tooling required for the production of parts in both forming processes. Certain components manufactured by AHF are machined with precision milling equipment designed and constructed by AHF. AHF also employs computer-aided design/manufacturing systems with three 5-axis gantry profile milling machines and three 5-axis numerically-controlled routers to provide computer-controlled machining and inspection of complex parts up to 100 feet long.

AHF has an integrated operation offering a broad range of capabilities. From the design specifications of a customer, AHF is able to engineer, manufacture, test and deliver the desired finished components. This process depends on the skillful execution of several complex subtasks, including the design and construction of special equipment. Management believes that the ability of AHF to provide a full range of integrated capabilities represents a competitive advantage.

Brice Manufacturing Company, Inc.

Brice Manufacturing Company, Inc. ("Brice"), a subsidiary of Ducommun, is an after-market supplier of aircraft seating products to many of the world's largest commercial airlines. Products supplied by Brice include plastic and metal seat parts, overhauled and refurbished seats, components for installation of in-flight entertainment equipment, and other cabin interior components for commercial aircraft.

During 1998, Brice introduced an original equipment manufacture ("OEM") 16G aircraft seat. This new aircraft seat represents Brice's first major OEM product.

Ducommun Technologies, Inc. (formerly Jay-El Products, Inc.)

Ducommun Technologies, Inc. ("DTI"), a subsidiary of Ducommun, develops, designs and manufactures illuminated switches, switch assemblies and keyboard panels used in many military aircraft, helicopter, commercial aircraft and spacecraft programs, as well as ground support equipment and naval vessels. DTI manufactures switches and panels where high reliability is a prerequisite. Keyboard panels are lighted, feature push button switches, and are available with sunlight readable displays. Some of the keyboard panels and illuminated switches manufactured by DTI for military applications are night vision goggle-compatible.

DTI also develops, designs and manufactures microwave switches, filters and other components used principally on commercial and military aircraft and telecommunications satellites. DTI has developed several new products that apply its existing microwave technology to nonaerospace markets, including the wireless telecommunications industry.

In June 1998, DTI acquired the capital stock of American Electronics, Inc. ("AEI"). AEI is a leading manufacturer of high precision actuators, stepper motors, fractional horsepower motors and resolvers principally for commercial and military space applications.

MechTronics of Arizona Corp.

In June 1996, the Company acquired substantially all of the assets and assumed certain liabilities of MechTronics of Arizona, Inc., through a newly formed subsidiary named MechTronics of Arizona Corp. ("MechTronics"). MechTronics is a leading manufacturer of mechanical and electromechanical enclosure products for the defense electronics and commercial aviation markets. MechTronics has a fully integrated manufacturing capability, including engineering, fabrication, machining, assembly, electronic integration and related processes. MechTronics' products include sophisticated radar enclosures, aircraft avionics racks and shipboard communications and control enclosures.

3dbm, Inc.

In August 1998, the Company sold the capital stock of its wireless communications subsidiary, 3dbm, Inc. ("3dbm"). The Company sold 3dbm because the level of investment required to ensure the long-term viability of 3dbm in the wireless system infrastructure business was more than the Company was willing to commit.

Defense and Space Programs

A major portion of sales is derived from United States government defense programs and space programs. Approximately 29 percent of 1998 sales were related to defense programs and approximately 11 percent of 1998 sales were related to space programs. These programs could be adversely affected by reductions in defense spending and other government budgetary pressures which would result in reductions, delays or stretch-outs of existing and future programs. In addition, many of the Company's contracts covering defense and space programs are subject to termination at the convenience of the customer (as well as for default). In the event of termination for convenience, the customer generally is required to pay the costs incurred by the Company and certain other fees through the date of termination.

Commercial Programs

Approximately 60 percent of 1998 sales were related to commercial aircraft programs, and nonaerospace commercial applications. The Company's commercial sales depend substantially on aircraft manufacturer's production rates, which in turn depend upon deliveries of new aircraft. Deliveries of new aircraft by aircraft manufacturers are dependent on the financial capacity of the airlines and leasing companies to purchase the aircraft. Sales of commercial aircraft could be affected as a result of changes in new aircraft orders, or the cancellation or deferral by airlines of purchases of ordered aircraft. The Company's sales for commercial aircraft programs also could be affected by changes in its customers' inventory levels and changes in its customers' aircraft production build rates.

Major Customers

The Company had substantial sales to Boeing, Lockheed Martin and Raytheon. During 1998, sales to Boeing were $48,334,000, or 28.3% of total sales; sales to Lockheed Martin were $18,465,000, or 10.8% of total sales, and sales to Raytheon were $12,596,000, or

7.4% of total sales. Sales to Boeing, Lockheed Martin and Raytheon are diversified over a number of different commercial, military and space programs.

Competition

The Company competes with various companies, some of which are substantially larger and have greater financial, technical and personnel resources. The Company's ability to compete depends on the quality of goods and services, competitive pricing and the ability to solve specific customer problems.

Backlog

At December 31, 1998, backlog believed to be firm was approximately $138,200,000, compared to $155,700,000 at December 31, 1997. Approximately $93,000,000 of total backlog is expected to be delivered during 1999.

Environmental Matters

Aerochem 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, Aerochem will remain dependent on the availability and cost of remote hazardous waste disposal sites or other alternative methods of disposal.

The Aerochem 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. Aerochem expects to spend approximately $1 million for future investigation and corrective action for groundwater contamination at its El Mirage location. 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.

Ducommun's other subsidiaries are also subject to environmental laws and regulations. However, the quantities of hazardous materials handled, hazardous wastes generated and air emissions released by these subsidiaries are relatively small.

The Company anticipates that capital expenditures will continue to be required for the foreseeable future to upgrade and maintain its environmental compliance efforts. The Company does not expect to spend a material amount on capital expenditures for environmental compliance during 1999.

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.

Employees

At December 31, 1998, the Company employed 1,218 persons.

Business Segment Information

The Company operates principally in only one business segment.

Information About Foreign and Domestic Operations and Export Sales

In 1998, 1997 and 1996, foreign sales to manufacturers worldwide were $29,007,000, 29,978,000 and $21,155,000, respectively.

The amounts of revenue, profitability and identifiable assets attributable to foreign operations are not material when compared with the revenue, profitability and identifiable assets attributed to United States domestic operations during 1998, 1997 and 1996. Canada is the only foreign country in which the Company had sales of 3.5% or more of total sales, with sales of $6,173,000, $7,950,000 and $4,906,000 in 1998, 1997 and 1996, respectively.

The Company is not subject to any foreign currency risks since all sales are made in United States dollars.

ITEM 2. PROPERTIES

The Company occupies approximately 16 facilities with a total office and manufacturing area of over 812,000 square feet, including both owned and leased properties. At December 31, 1998, facilities which were in excess of 60,000 square feet each were occupied as follows:

Location	Company	Square Feet	Expiration of Lease
El Mirage, California	Aerochem	74,300	Owned
Orange, California	Aerochem	76,200	Owned
Carson, California	AHF-Ducommun	65,000	1999
Carson, California	AHF-Ducommun	108,000	Owned
Carson, California	Ducommun Technologies	117,000	2002
Phoenix, Arizona	MechTronics	90,900	2006

The Company's facilities are, for the most part, fully utilized, although excess capacity exists from time to time based on product mix and demand. Management believes that these properties are in good condition and suitable for their present use.

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.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information under the caption "Quarterly Common Stock Price Information" on page 18 of the 1998 Annual Report is incorporated herein by reference. No dividends were paid during 1997 or 1998 (see Exhibit 13).

ITEM 6. SELECTED FINANCIAL DATA

The information under the caption "Selected Financial Data" appearing on page 18 of the 1998 Annual Report is incorporated herein by reference (see Exhibit 13).

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing on pages 19 through 22 of the 1998 Annual Report is incorporated herein by reference (see Exhibit 13).

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data under the captions "Consolidated Statements of Income," "Consolidated Balance Sheets," "Consolidated Statements of Cash Flows," "Consolidated Statements of Changes in Shareholders' Equity," and "Notes to Consolidated Financial Statements," together with the report thereon of PricewaterhouseCoopers LLP dated February 12, 1999, appearing on pages 23 through 37 of the 1998 Annual Report are incorporated herein by reference (see Exhibit 13).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors of the Registrant

The information under the caption "Election of Directors" in the 1999 Proxy Statement is incorporated herein by reference.

Executive Officers of the Registrant

The following table sets forth the names and ages of all executive officers of the Company (including subsidiary presidents), all positions and offices held with the Company and brief accounts of business experience during the past five years. Executive officers do not serve for any specified terms, but are typically elected annually by the Board of Directors of the Company or, in the case of subsidiary presidents, by the Board of Directors of the respective subsidiaries.

Name (Age)	Positions and Offices Held With Company (Year Elected)	Other Business Experience (Past Five Years)
Norman A. Barkeley (69)	Chairman Emeritus of the Board (1999)	Chairman of the Board (1989); Chief Executive Officer (1988-1996) and President (1988-1995)
Joseph C. Berenato (52)	President (1996), Chief Executive Officer (1997) and Chairman of the Board (1999)	Executive Vice President (1995), Chief Operating Officer (1995-1996), and Chief Financial Officer (1991-1996) of the Company
James S. Heiser (42)	Vice President (1990), Chief Financial Officer (1996), General Counsel (1988), Secretary (1987), and Treasurer (1995)	--
Kenneth R. Pearson (63)	Vice President-Human Resources (1988)	--
Michael W. Williams (44)	Vice President, Corporate Development (1998)	VP Operations at H.R. Textron; operations positions with Crane Valve Group, ITT Corp. and Parker Hannifin

Name (Age)	Positions and Offices Held With Company (Year Elected)	Other Business Experience (Past Five Years)
Samuel D. Williams (50)	Vice President (1991) and Controller (1988)	--
Robert A. Borlet (58)	President of Ducommun Technologies, Inc. (1988)	--
Bruce J. Greenbaum (43)	President of Brice Manufacturing Company, Inc. (1994)	--
Robert B. Hahn (55)	President of MechTronics of Arizona Corp. (1997)	President of Aerochem, Inc. (1987-1997)
Robert L. Hansen (45)	President, AHF-Ducommun Incorporated (1989)	--

ITEM 11. EXECUTIVE COMPENSATION

The information under the caption "Compensation of Executive Officers" in the 1999 Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information under the caption "Security Ownership of Certain Beneficial Owners and Management" in the 1999 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information under the caption "Election of Directors" contained in the paragraph immediately following the table in the 1999 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. Financial Statements

The following consolidated financial statements of Ducommun Incorporated and subsidiaries, included in the 1998 Annual Report, are incorporated by reference in Item 8 of this report. Page numbers refer to the 1998 Annual Report:

	Page
Consolidated Statements of Income - Years ended December 31, 1998, 1997 and 1996	23
Consolidated Balance Sheets - December 31, 1998 and 1997	24
Consolidated Statements of Cash Flows - Years ended December 31, 1998, 1997 and 1996	25
Consolidated Statements of Changes in Shareholders' Equity - Years Ended December 31, 1998, 1997 and 1996	26
Notes to Consolidated Financial Statements	27-36
Report of Independent Accountants	37

2. Financial Statement Schedule

The following schedule for the years ended December 31, 1998, 1997 and 1996 is filed herewith:

Schedule VIII - Valuation and Qualifying Accounts and Reserves

All other schedules have been omitted because they are not applicable, not required, or the information has been otherwise supplied in the financial statements or notes thereto.

(b) Reports on Form 8-K

During the last quarter of 1998, no reports on Form 8-K were filed.

(c) Exhibits

3.1 Restated Certificate of Incorporation filed with the Delaware Secretary of State on May 29, 1990. Incorporated by reference to Exhibit 3.1 to Form 10-K for the year ended December 31, 1990.

3.2 Certificate of Amendment of Certificate of Incorporation filed with the Delaware Secretary of State on May 27, 1998.

3.3 Bylaws as amended and restated on October 19, 1996. Incorporated by reference to Exhibit 3.2 to Form 10-K for the year ended December 31, 1996.

4.1 Fifth Amended and Restated Loan Agreement between Ducommun Incorporated, as Borrower, and Bank of America National Trust and Savings Association, as Bank, dated June 23, 1998. Incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended June 28, 1998.

4.2 First Amendment to Fifth Amended and Restated Loan Agreement between Ducommun Incorporated, as Borrower, and Bank of America National Trust and Savings Association, as Bank, dated as of October 1, 1998. Incorporated by reference to Exhibit 4.2 to Form 10-K for the year ended December 31, 1997.

4.3 Second Amendment to Fifth Amended and Restated Loan Agreement dated August 10, 1998. Incorporated by reference to Exhibit 10.1 to the Form 10-Q for the quarter ended October 3, 1998.

4.4 Third Amendment to Fifth Amended and Restated Loan Agreement dated February 11, 1999.

4.5 Conversion Agreement dated July 22, 1992 between Ducommun and the holders of the 9% Convertible Subordinated Notes due 1998. Incorporated by reference to Exhibit 1 to Form 8-K dated July 29, 1992.

* 10.1 1981 Stock Incentive Plan as amended and restated March 21, 1990. Incorporated by reference to Exhibit 10.2 to Form 10-K for the year ended December 31, 1989.

* 10.2 1990 Stock Option Plan. Incorporated by reference to Exhibit 10.4 to Form 10-K for the year ended December 31, 1990.

* 10.3 1994 Stock Incentive Plan, as amended May 7, 1998. Incorporated by reference to Exhibit 10.3 to Form 10-K for the year ended December 31, 1997.

* 10.4 Form of Nonqualified Stock Option Agreement for employees under the 1994 Stock Incentive Plan, the 1990 Stock Option Plan and the 1981 Stock Incentive Plan. Incorporated by reference to Exhibit 10.5 to Form 10-K for the year ended December 31, 1990.

* 10.5 Form of Incentive Stock Option Agreement under the 1994 Stock Incentive Plan. Incorporated by reference to Exhibit 10.5 to Form 10-K for the year ended December 31, 1996.

10.6 Form of Nonqualified Stock Option Agreement for nonemployee directors under the 1994 Stock Incentive Plan. Incorporated by reference to Exhibit 10.6 to Form 10-K for the year ended December 31, 1997.

* 10.7 Form of Key Executive Severance Agreement entered with eight current executive officers of Ducommun or its subsidiaries. Incorporated by reference to Exhibit 10.7 to Form 10-K for the year ended December 31, 1989. All of the Key Executive Severance Agreements are identical except for the name of the executive officer and the date of the Agreement:

Executive Officer	Date of Agreement
Joseph C. Berenato	November 4, 1991
Robert A. Borlet	July 27, 1988
Bruce J. Greenbaum	December 6, 1995
Robert B. Hahn	July 27, 1988
Robert L. Hansen	May 5, 1993
James S. Heiser	July 27, 1988
Kenneth R. Pearson	July 27, 1988
Samuel D. Williams	June 21, 1989

* 10.8 Form of Indemnity Agreement entered with all directors and officers of Ducommun. Incorporated by reference to Exhibit 10.8 to Form 10-K for the year ended December 31, 1990. All of the Indemnity Agreements are identical except for the name of the director or officer and the date of the Agreement:

Director/Officer	Date of Agreement
Norman A. Barkeley	July 29, 1987
Joseph C. Berenato	November 4, 1991
James S. Heiser	May 6, 1987
Kenneth R. Pearson	July 27, 1988
Michael W. Williams	February 26, 1999
Samuel D. Williams	November 11, 1988
H. Frederick Christie	October 23, 1985
Robert C. Ducommun	December 31, 1985
Kevin S. Moore	October 15, 1994
Thomas P. Mullaney	April 8, 1987
Richard J. Pearson	October 23, 1985
Arthur W. Schmutz	December 31, 1985

* 10.9 Description of 1999 Executive Officer Bonus Arrangement.

* 10.10 Directors' Deferred Compensation and Retirement Plan, as amended October 29, 1993. Incorporated by reference to Exhibit 10.9 to Form 10-K for the year ended December 31, 1993.

* 10.11 Ducommun Incorporated Executive Retirement Plan dated May 5, 1993. Incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended July 3, 1993.

* 10.12 Ducommun Incorporated Executive Compensation Deferral Plan dated May 5, 1993. Incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ended July 3, 1993.

* 10.13 Ducommun Incorporated Executive Compensation Deferral Plan No. 2 dated October 15, 1994. Incorporated by reference to Exhibit 10.12 to Form 10-K for the year ended December 31, 1994.

11 Reconciliation of the Numerators and Denominators of the Basic and Diluted Earnings Per Share Computations

13 1998 Annual Report to Shareholders (not deemed to be filed except as previously incorporated by reference).

21 Subsidiaries of Registrant

23 Consent of PricewaterhouseCoopers LLP

27 Financial Data Schedule

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* Indicates an executive compensation plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and 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

Date: February 26, 1999 By: /s/ Joseph C. Berenato

Joseph C. Berenato
Chairman of the Board, President and
Chief Executive Officer

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

Date: February 26, 1999 By: /s/ Joseph C. Berenato

Joseph C. Berenato
Chairman of the Board, President and
Chief Executive Officer
(Principal Executive Officer)

Date: February 26, 1999 By: /s/ James S. Heiser

James S. Heiser
Vice President, Chief Financial Officer,
General Counsel, Secretary and Treasurer
(Principal Financial Officer)

Date: February 26, 1999 By: /s/ Samuel D. Williams

Samuel D. Williams
Vice President, Controller and Assistant
Treasurer
(Principal Accounting Officer)

DIRECTORS

By: /s/ Norman A. Barkeley Date February 26, 1999
Norman A. Barkeley

By: /s/ Joseph C. Berenato Date February 26, 1999
Joseph C. Berenato

By: /s/ H. Frederick Christie Date February 26, 1999
H. Frederick Christie

By: /s/ Robert C. Ducommun Date February 26, 1999
Robert C. Ducommun

By: /s/ Kevin S. Moore Date February 26, 1999
Kevin S. Moore

By: /s/ Thomas P. Mullaney Date February 26, 1999
Thomas P. Mullaney

By: /s/ Richard J. Pearson Date February 26, 1999
Richard J. Pearson

By: /s/ Arthur W. Schmutz Date February 26, 1999
Arthur W. Schmutz

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors
of Ducommun Incorporated

Our audits of the consolidated financial statements referred to in our report dated February 12, 1999 appearing on page 37 of the 1998 Annual Report to Shareholders of Ducommun Incorporated (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(a) of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP

Los Angeles, California
February 12, 1999

DUCOMMUN INCORPORATED
AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

SCHEDULE VIII

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
FOR THE YEAR ENDED DECEMBER 31, 1998					
Allowance for Doubtful Accounts	$ 359,000	$ 7,000	$ -	$ 194,000(a) 47,000(b)	$ 125,000
FOR THE YEAR ENDED DECEMBER 31, 1997					
Allowance for Doubtful Accounts	$ 206,000	$ 290,000	$ -	$ 137,000(b)	$ 359,000
FOR THE YEAR ENDED DECEMBER 31, 1996					
Allowance for Doubtful Accounts	$ 366,000	$ 28,000	$ -	$ 188,000(b)	$ 206,000
Deferred Tax Assets Valuation Allowance	$2,433,000	$ -	$ -	$ 665,000(c) 1,768,000(d)	$ -

(a) Collections on previously written off accounts.

(b) Write-offs on uncollectible accounts.

(c) Change in valuation allowance due to reevaluation of realizability of future income tax benefit occasioned by the acquisition of MechTronics.

(d) Change in valuation allowance due to reevaluation of realizability of future income tax benefit.

EXHIBIT INDEX

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4.5	Conversion Agreement dated July 22, 1992 between Ducommun and the holders of the 9% Convertible Subordinated Notes due 1998. Incorporated by reference to Exhibit 1 to Form 8-K dated July 29, 1992.
*10.1	1981 Stock Incentive Plan as amended and restated March 21, 1990. Incorporated by reference to Exhibit 10.2 to Form 10-K for the year ended December 31, 1989.
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Bruce J. Greenbaum	December 6, 1995
Robert B. Hahn	July 27, 1988
Robert L. Hansen	May 5, 1993
James S. Heiser	July 27, 1988
Kenneth R. Pearson	July 27, 1988
Samuel D. Williams	June 21, 1989

*10.8 Form of Indemnity Agreement entered with all directors and officers of Ducommun. Incorporated by reference to Exhibit 10.8 to Form 10-K for the year ended December 31, 1990. All of the Indemnity Agreements are identical except for the name of the director or officer and the date of the Agreement:

Director/Officer	Date of Agreement
Norman A. Barkeley	July 29, 1987
Joseph C. Berenato	November 4, 1991
James S. Heiser	May 6, 1987
Kenneth R. Pearson	July 27, 1988
Michael W. Williams	February 26, 1999
Samuel D. Williams	November 11, 1988
H. Frederick Christie	October 23, 1985
Robert C. Ducommun	December 31, 1985
Kevin S. Moore	October 15, 1994
Thomas P. Mullaney	April 8, 1987
Richard J. Pearson	October 23, 1985
Arthur W. Schmutz	December 31, 1985

*10.9 Description of 1999 Executive Officer Bonus Arrangement.

*10.10 Directors' Deferred Compensation and Retirement Plan, as amended October 29, 1993. Incorporated by reference to Exhibit 10.9 to Form 10-K for the year ended December 31, 1993.

*10.11 Ducommun Incorporated Executive Retirement Plan dated May 5, 1993. Incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended July 3, 1993.

*10.12 Ducommun Incorporated Executive Compensation Deferral Plan dated May 5, 1993. Incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ended July 3, 1993.

*10.13 Ducommun Incorporated Executive Compensation Deferral Plan No. 2 dated October 15, 1994. Incorporated by reference to Exhibit 10.12 to Form 10-K for the year ended December 31, 1994.

11 Reconciliation of the Numerators and Denominators of the Basic and Diluted Earnings Per Share Computations

13 1998 Annual Report to Shareholders (not deemed to be filed except as previously incorporated by reference).

21 Subsidiaries of Registrant

23 Consent of PricewaterhouseCoopers LLP

27 Financial Data Schedule

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* Indicates an executive compensation plan or arrangement.

EXHIBIT 3.2

CERTIFICATE OF AMENDMENT OF
CERTIFICATE OF INCORPORATION OF
DUCOMMUN INCORPORATED

Ducommun Incorporated, a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation (hereinafter called the "corporation") is Ducommun Incorporated.

2. The Certificate of Incorporation of the corporation is hereby amended by striking out Article FOURTH thereof, and by substituting in lieu of said Article the following new Article:

FOURTH: The Corporation shall be authorized to issue two classes of shares of stock to be designated, respectively, "Preferred Stock" and "Common Stock"; the total number of shares which the corporation shall have authority to issue is 40,000,000; the total number of shares of Preferred Stock shall be 5,000,000, and each such share shall have a par value of $.01; the total number of shares of Common Stock shall be 35,000,000, and each such share shall have a par value of $.01.

Shares of Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby authorized to fix the voting powers, if any, designations, preferences and the relative, participating, optional or other rights, if any, and the qualifications, limitations or restrictions thereof, of any unissued series of Preferred Stock; and to fix the number of shares constituting such series, and to increase or decrease the number of shares of any such series (but not below the number of shares thereof then outstanding).

3. The amendment of the Certificate of Incorporation herein certified has been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, Ducommun Incorporated has caused this Certificate to be signed by James S. Heiser, its Secretary, this 20th day of May, 1998.

By: /s/ James S. Heiser

James S. Heiser
Secretary

EXHIBIT 4.4

THIRD AMENDMENT TO FIFTH
AMENDED AND RESTATED LOAN AGREEMENT

This Third Amendment (the "Amendment") dated as of February 11, 1999, is between Bank of America National Trust and Savings Association (the "Bank") and Ducommun Incorporated, a Delaware corporation (the "Borrower").

RECITALS

A. The Bank and the Borrower entered into a certain Fifth Amended and Restated Loan Agreement dated as of June 23, 1997, as amended by a First Amendment dated as of October 1, 1997 and a Second Amendment dated as of August 10, 1998 ("Second Amendment") (as amended, the "Agreement").

B. The Bank and the Borrower desire to further amend the Agreement.

AGREEMENT

1. Definitions. Capitalized terms used but not defined in this Amendment shall have the meaning given to them in the Agreement.

2. Amendments. The Agreement is hereby amended as follows:

2.1 Paragraph 1.1 of the Agreement is hereby amended as follows:

(a) The following defined terms are added to Paragraph 1.1 of the agreement, in the appropriate alphabetical sequence, to read as follows:

"Letter of Credit" means any standby letter of credit issued by the Bank pursuant to Paragraph 2.2 of this Agreement, either as originally issued or as the same may from time to time be supplemented, modified, amended, renewed or extended.

"Letter of Credit Obligations" means at any time the sum of (a) the Outstanding Letters of Credit, plus (b) the amount of all unreimbursed drawings under all Letters of Credit.

"Outstanding Letters of Credit" means, as of any date of determination, the aggregate face amount of all Letters of Credit outstanding on such date minus the aggregate amount, if any, paid in cash by Bank under such Letters of Credit that has been reimbursed by Borrower."

(b) In the definition of "Cash Flow", the phrase commencing with the word "minus" on line 8 thereof is amended to read as follows:

". . . minus cash income taxes paid during that fiscal year, excluding cash income taxes not exceeding $1,500,000 associated with the capital gains realized from Borrower's sale of the 3dbm subsidiary during fiscal year 1998, . . ."

(c) The definition of "Line of Credit" is amended to read as follows:

"Line of Credit" means the credit facility for Loans and Letters of Credit described in Article 2 of this Agreement."

(d) In the definition of "Loan Documents", the phrase "the Letters of Credit" is added immediately following the phrase "the Guaranty".

(e) The definition of "Maximum Amount" is amended to read as follows:

"Maximum Amount" means, as of any date of determination thereof, the Line Commitment minus the Letter of Credit Obligations."

(f) The definition of "Term of this Agreement" is amended to read as follows:

"Term of this Agreement" means the period commencing on the Restatement Date and ending on the last date upon which no Loan or other Obligation of Borrower to Bank remains unpaid, no Letter of Credit remains outstanding, and Bank has no further commitment hereunder to make the Line of Credit available to Borrower."

(g) In the definition of "Total Funded Debt", commencing at line 11 thereof, the phrase beginning with the words "Contingent Obligations" is amended to read as follows:

". . . Contingent Obligations under any guaranties of the obligations of any Person other than Borrower's Subsidiaries or Affiliates, Outstanding Letters of Credit (minus Cash and Cash Equivalents of Borrower and its Subsidiaries), . . ."

(h) The definition of "Total Outstandings" is amended to read as follows:

"Total Outstandings" means, as of any date of determination, the sum of (a) all outstanding Loans and (b) the Letter of Credit Obligations."

2.2 Paragraph 2.2 of the Agreement is amended in its entirety to read as follows:

"2.2 Letters of Credit. Subject to the terms and conditions hereof, at any time and from time to time from the Restatement Date through the Banking Day immediately preceding the Termination Date, Bank shall issue such Letters of Credit as Borrower may request, provided that, upon giving effect to such Letter of Credit, (i) Total Outstandings shall not exceed the Line Commitment, and (ii) the Letter of Credit Obligations shall not exceed $1,000,000 for standby Letters of Credit. Unless Bank otherwise consents in writing, the term of any standby Letter of Credit shall not exceed 24 months, and shall in no event in any case extend more than 12 months beyond the

Termination Date. No Letter of Credit shall be issued except to the extent reasonably necessary in the ordinary course of the business of Borrower or its Subsidiaries, and no Letter of Credit shall be issued in any event to support any workers' compensation obligation of Borrower or its Subsidiaries. Unless otherwise agreed to by Bank, the face amount of any Letter of Credit shall not be less than $25,000.

Borrower agrees:

(a) if there is a default under this Agreement, to immediately prepay and make Bank whole for any outstanding Letters of Credit.

(b) the issuance of any Letter of Credit and any amendment to a Letter of Credit is subject to Bank's written approval and must be in form and content satisfactory to Bank and in favor of a beneficiary acceptable to Bank.

(c) to sign Bank's form Application and Agreement for Standby Letter of Credit with respect to each Letter of Credit.

(d) to allow Bank to automatically charge its checking account for applicable fees, discounts, and other charges.

(e) to pay Bank a non-refundable fee equal to 1.50% per annum of the outstanding undrawn amount of each standby Letter of Credit, payable annually in advance, calculated on the basis of the face amount outstanding on the day the fee is calculated.

(f) to pay to Bank the amount of any payment made or to be made by Bank under any Letter of Credit, upon Bank's demand; and, if Borrower fails to make any such payment, Bank may, but is not required to, without notice to or the consent of Borrower, make a Loan in an aggregate amount equal to the amount paid by Bank on the relevant Letter of Credit, whether or not the same would cause Total Outstandings to exceed the Line Commitment (without waiving the obligation of Borrower to reduce Total Outstandings to an amount less than or equal to the Line Commitment) and, for this purpose, the conditions precedent set forth in Article 8 and the amount limitations set forth in Paragraph 2.1 shall not apply. The proceeds of such Loan shall be paid to Bank to reimburse it for the payment made by it under the Letter of Credit.

(g) Subject to the next sentence, a Letter of Credit may be requested pursuant to this Paragraph 2.2 for the account of Borrower or for the account of any Subsidiary of Borrower. To the extent that a Subsidiary of Borrower is the account party under any Letter of Credit, Borrower hereby guarantees the payment and performance of such Subsidiary with respect to any Obligation of such Subsidiary relating to such Letter of Credit, and agrees to deliver to Bank, duly executed and in form and content acceptable to Bank, a duly executed continuing guaranty further evidencing the foregoing guaranty, together with a resolution or other evidence of the corporate authority of Borrower to execute, perform and deliver such continuing guaranty."

2.3 In Paragraph 4.13 of the Agreement, the phrase ", or in connection with the issuance of any Letter of Credit," is added in the third line of said paragraph immediately following the word "Loan".

2.4 Paragraph 5.9 of the Agreement is amended in its entirety to read as follows:

"5.9 Use of Proceeds. Use the proceeds of the Line of Credit for the following purposes only: (i) for working capital purposes of Borrower and its Subsidiaries, (ii) to issue Letters of Credit, (iii) for other lawful corporate purposes in the ordinary course of business, and (iv) to finance Permitted Acquisitions."

2.5 Paragraph 6.3 of the Agreement is amended by deleting the period at the end of the paragraph and adding the following:

"; provided further, however, that the amount of the following transactions shall not be included in calculating the amount of redemptions or repurchases of shares permitted under clause (c) of this Paragraph 6.3: common stock repurchases that (i) occurred prior to January 1, 1999 or (ii) are financed exclusively from balance sheet cash derived from sources other than Loans under this Agreement."

2.6 All references to Letters of Credit in Paragraph 9.2 of the Agreement, previously deleted pursuant to Paragraph 2.9 of the Second Amendment, are hereby fully reinstated.

2.7 All references to Letters of Credit in Paragraph 10.8 of the Agreement, previously deleted pursuant to Paragraph 2.10 of the Second Amendment, are hereby fully reinstated.

3. Representations and Warranties. When the Borrower signs this Amendment, the Borrower represents and warrants to the Bank that: (a) there is no event which is, or with notice or lapse of time or both would be, a default under the Agreement, (b) the representations and warranties in the Agreement are true as of the date of this Amendment as if made on the date of this Amendment, (c) this Amendment is within the Borrower's powers, has been duly authorized, and does not conflict with any of the Borrower's organizational papers, and (d) this Amendment does not conflict with any law, agreement, or obligation by which the Borrower is bound.

4. Conditions. This Amendment will be effective when the Bank receives the following items, in form and content acceptable to the Bank:

4.1 An amendment fee in the amount of $5,000.00.

4.2 An Instrument of Joinder, duly executed by Ducommun Technologies, Inc., together with corporate resolutions authorizing such guaranty by joinder, certified by their respective Secretary or Assistant Secretary.

4.3 Evidence that the execution, delivery and performance of this Amendment by the Borrower has been duly authorized.

5. Effect of Amendment. Except as provided in this Amendment, all of the terms and conditions of the Agreement shall remain in full force and effect.

(Signature page follows)

This Amendment is executed as of the date stated at the beginning of this Amendment.

Bank of America National Trust
and Savings Association

By: /s/ J. Thomas Fagan

J. Thomas Fagan
Vice President

Ducommun Incorporated

By: /s/ K. R. Pearson

Kenneth R. Pearson
Vice President - Human Resources
and Assistant Secretary

By: /s/ J. S. Heiser

James S. Heiser
Vice President, Treasurer, Secretary,
and Chief Financial Officer

EXHIBIT 10.9

DUCOMMUN INCORPORATED

DESCRIPTION OF
1999 EXECUTIVE OFFICER BONUS ARRANGEMENT

The Ducommun Incorporated 1999 Executive Officer Bonus Arrangement (the "Arrangement") is designed to reward achievement of annual operating plan objectives in order to build profitability and provide competitive compensation levels. The Arrangement contains a formula-based incentive plan driven by sales, net income, cash flow and return on asset performance in excess of established thresholds. The participants in the Arrangement are the five Ducommun corporate officers and five subsidiary presidents.

The Arrangement provides for bonus awards ranging from 0 to 100% of annual base salary depending on position. The targeted bonus award under the Arrangement is half of the maximum bonus eligibility for each individual. Bonus awards are based on a combination of total corporate performance and on individual performance of executive officers. The subsidiary presidents are also measured based upon the financial performance of their operating units. All awards are subject to the approval of the Compensation Committee of the Board of Directors.

EXHIBIT 11

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

	For the Year Ended December 31, 1998		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
BASIC EPS			
Income Available to Common Stockholders	$23,693,000	11,149,000	$ 2.13
EFFECT OF DILUTIVE SECURITIES			
Stock Options	--	469,000	
DILUTED EPS			
Income Available to Common Stockholders + Assumed Conversions	$23,693,000	$11,618,000	$ 2.04

	For the Year Ended December 31, 1997		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
BASIC EPS			
Income Available to Common Stockholders	$14,297,000	11,037,000	$ 1.30
EFFECT OF DILUTIVE SECURITIES			
Stock Options	--	829,000	
DILUTED EPS			
Income Available to Common Stockholders + Assumed Conversions	$14,297,000	$11,866,000	$ 1.20

	For the Year Ended December 31, 1996		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
BASIC EPS			
Income Available to Common Stockholders	$10,285,000	9,892,000	$ 1.04
EFFECT OF DILUTIVE SECURITIES			
Stock Options	--	771,000	
7 3/4% Convertible Subordinated Debentures	222,000	1,067,000	
DILUTED EPS			
Income Available to Common Stockholders + Assumed Conversions	$10,507,000	$11,730,000	$ 0.90

Note: Share-related data have been adjusted for the 3-for-2 stock split in June 1998.

EXHIBIT 13

DUCOMMUN INCORPORATED
ANNUAL REPORT

The following portions of Ducommun Incorporated and Subsidiaries 1998 Annual Report are incorporated by reference in Items 5, 6, 7, and 8 of this report.

	Page
Selected Financial Data	18
Quarterly Common Stock Price Information	18
Management's Discussion and Analysis of Financial Condition and Results of Operations	19-22
Consolidated Statements of Income	23
Consolidated Balance Sheets	24
Consolidated Statements of Cash Flows	25
Consolidated Statements of Changes in Shareholders' Equity	26
Notes to Consolidated Financial Statements	27-36
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EXHIBIT 13

SELECTED FINANCIAL DATA
DUCOMMUN INCORPORATED

Year ended December 31,	1998	1997	1996	1995	1994
(In thousands, except per share amounts)					
Net Sales	$ 170,772	$ 157,287	$ 118,357	$ 91,217	$ 61,738
Gross Profit as a Percentage of Sales	33.3%	32.0%	32.6%	33.0%	28.8%
Operating Income	29,795	25,288	15,478	10,511	5,644
Operating Income as a Percentage of Sales	17.4%	16.1%	13.1%	11.5%	9.1%
Gain on Sale of Subsidiary	9,249	--	--	--	--
Income Before Taxes	38,919	24,653	14,325	6,941	3,177
Income Tax Expense	(15,226)	(10,356)	(4,040)	(1,895)	(973)
Net Income	$ 23,693	$ 14,297	$ 10,285	$ 5,046	$ 2,204
Earnings Per Share:					
Income Before Gain on Sale of Subsidiary	$ 1.51	$ 1.20	$ .90	$ .59	$ .32
Gain on Sale of Subsidiary	.53	--	--	--	--
Diluted Earnings Per Share	$ 2.04	$ 1.20	$ .90	$ .59	$ .32
Working Capital	$ 30,793	$ 30,182	$ 17,286	$ 11,247	$ 6,710
Total Assets	117,204	104,241	95,814	80,974	79,852
Convertible Subordinated Debentures	--	--	--	24,263	28,000
Long-Term Debt Including Current Portion	6,784	5,803	10,290	12,845	21,913
Total Shareholders' Equity	83,705	73,703	59,188	24,588	15,783
Cash Dividends Per Share	--	--	--	--	--

QUARTERLY COMMON STOCK PRICE INFORMATION

	1998		1997		1996	
	High	Low	High	Low	High	Low
First Quarter	$ 23.33	$ 19.42	$ 16.83	$ 13.67	$ 9.42	$ 6.33
Second Quarter	23.50	18.94	19.59	15.75	9.92	8.59
Third Quarter	20.75	17.19	26.46	18.58	12.25	8.25
Fourth Quarter	18.75	13.13	25.79	19.17	16.25	11.09

The common stock of the Company (DCO) is listed on the New York Stock Exchange. On December 31, 1998, the Company had approximately 647 holders of record of common stock.

Per share amounts have been adjusted for the 3-for-2 stock split in June 1998.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ACQUISITIONS

In June 1998, the Company acquired the capital stock of American Electronics, Inc. ("AEI") for $8,165,000 in cash and $1,900,000 in other liabilities. AEI is a leading manufacturer of high precision actuators, stepper motors, fractional horsepower motors and resolvers principally for commercial and military space applications. The acquisition of AEI was accounted for under the purchase method of accounting, and based on the preliminary allocation of the purchase price, the Company recorded goodwill of $5,628,000. The consolidated statements of income include the operating results for AEI since the date of the acquisition. In June 1996, the Company acquired substantially all of the assets of MechTronics of Arizona, Inc. ("MechTronics") for $8,000,000 in cash and a $750,000 note. MechTronics is a leading manufacturer of mechanical and electromechanical enclosure products for the defense electronics, commercial aviation and communications markets.

The acquisitions were funded from internally generated cash, notes and other accounts payable to sellers and borrowings under the Company's credit agreement with its bank (see Financial Condition for additional information). These acquisitions strengthened the Company's position in the aerospace industry and added complementary lines of business.

DISPOSITIONS

In August 1998, the Company sold the capital stock of its wireless communications subsidiary, 3dbm, Inc. The subsidiary was sold for $17,250,000 in cash, resulting in a pretax gain of $9,249,000 on the sale and an after-tax gain of $6,206,000, or $.53 per diluted share, which was recorded in the third quarter of 1998. The Company sold 3dbm, Inc. because the level of investment required to ensure the long term viability of 3dbm, Inc. in the wireless systems infrastructure business was more than the Company was willing to commit.

RESULTS OF OPERATIONS

1998 Compared to 1997 - Net sales increased 9% to $170,772,000 in 1998. The increase resulted primarily from a broad-based increase in sales in most of the Company's product lines due to outsourcing from prime contractors and first tier subcontractors as well as new contract awards, partially offset by lower commercial and military aftermarket sales. The net effect on sales of the acquisition of AEI and the divestiture of 3dbm in 1998 compared to 1997 was a decrease in sales of approximately $111,000 in 1998. The Company's mix of business was approximately 60% commercial, 29% military and 11% space in 1998. Foreign sales decreased to 17% of sales from 19% in 1997. Canada is the only foreign country in which the Company had sales of 3.5 percent or more of total sales, with sales of $6,173,000 in 1998 and $7,950,000 in 1997.

The Company had substantial sales to Boeing, Lockheed Martin and Raytheon. During 1998 and 1997, sales to Boeing were $48,334,000 and $36,375,000, respectively; sales to Lockheed Martin were $18,465,000 and $17,455,000, respectively; and sales to Raytheon were $12,596,000 and $9,101,000, respectively. At December 31, 1998, trade receivables from Boeing, Lockheed Martin and Raytheon were $4,352,000, $1,891,000 and $1,752,000, respectively. The sales and receivables relating to Boeing, Lockheed Martin and Raytheon are diversified over a number of different commercial, space and military programs.

The Company's commercial business is represented on virtually all of today's major commercial aircraft. During 1998, commercial sales increased primarily as a result of increased commercial aircraft build rates and new contract awards. Sales related to commercial business were approximately $102,432,000, or 60% of total sales in 1998.

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 land and sea-based vehicles. The Company's defense business is widely diversified among military manufacturers and programs. Sales related to military programs were approximately $50,231,000, or 29% of total sales in 1998. The C-17 program accounted for approximately $9,846,000 in sales in 1998.

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 $18,109,000, or 11% of total sales in 1998.

At December 31, 1998, backlog believed to be firm was approximately $138,200,000, compared to $155,700,000 at December 31, 1997. The backlog decrease from December 31, 1997 was due to product shipments in 1998 at a faster rate than new business was awarded to replace it. However, the Company experienced backlog growth principally in the Boeing 737, 777 and C-17 aircraft. Approximately $93,000,000 of the total backlog is expected to be delivered during 1999.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Gross profit, as a percentage of sales, increased to 33.3% in 1998 from 32.0% in 1997. This increase was primarily the result of changes in sales mix and lower production costs.

Selling, general and administrative expenses, as a percentage of sales, was 15.8% in 1998, compared to 15.9% in 1997.

Interest expense decreased 80% to $125,000 in 1998 primarily due to higher interest income from invested cash in 1998 compared to 1997, which was offset against interest expense.

Income tax expense increased to $15,226,000 in 1998, compared to $10,356,000 in 1997. The increase in income tax expense was primarily due to $3,043,000 of income taxes related to the gain on the sale of 3dbm, Inc. and the increase in income before taxes. Cash expended to pay income taxes increased to $9,464,000 in 1998, compared to $4,932,000 in 1997, primarily as a result of taxes paid on the gain on the sale of 3dbm, Inc.

Net income for 1998 was $23,693,000, or $2.04 diluted earnings per share, compared to $14,297,000, or $1.20 diluted earnings per share, in 1997. Net income for 1998 included an after-tax gain of $6,206,000, or $0.53 per diluted share, on the sale of the capital stock of 3dbm, Inc.

1997 Compared to 1996 - Net sales increased 33% to $157,287,000 in 1997. 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, as well as sales of $22,003,000 in 1997, compared to $8,414,000 in 1996 from the MechTronics acquisition completed in June 1996. The Company's mix of business was approximately 59% commercial, 31% military and 10% space in 1997. Foreign sales increased to 19% of total sales in 1997 from 18% in 1996. Canada is the only foreign country in which the Company had sales of 4% or more of total sales, with sales of $7,950,000 in 1997 and $4,906,000 in 1996.

The Company had substantial sales to Boeing, Lockheed Martin and Northrop Grumman. During 1997 and 1996, sales to Boeing were $36,375,000 and $21,907,000, respectively; sales to Lockheed Martin were $17,455,000 and $13,037,000, respectively; and sales to Northrop Grumman were $6,568,000 and $7,843,000, respectively. At December 31, 1997, trade receivables from Boeing, Lockheed Martin and Northrop Grumman were $4,079,000, $1,659,000 and $551,000, respectively. The sales and receivables relating to Boeing, Lockheed Martin and Northrop Grumman are diversified over a number of different commercial, space and military programs.

During 1997, commercial sales increased primarily as a result of commercial aircraft build rates, new contract awards and increased airline seat refurbishment projects, as well as sales from the MechTronics acquisition. During 1997, military sales increased primarily as a result of new contract awards, as well as sales from the MechTronics acquisition. Sales related to space programs were approximately $14,821,000, or 10% of total sales in 1997.

At December 31, 1997, backlog believed to be firm was approximately $155,700,000, compared to $134,500,000 at December 31, 1996. Backlog growth has been concentrated principally in the Boeing 737, 777 and C-17 aircraft.

Gross profit, as a percentage of sales, decreased to 32.0% in 1997 from 32.6% in 1996. This decrease was primarily the result of change in sales mix. The decrease was partially offset by economies of scale resulting from sales increases.

Selling, general and administrative expenses, as a percentage of sales, decreased to 15.9%, compared to 19.6% in 1996. The decrease was primarily the result of higher sales volume partially offset by an increase in related period costs.

Interest expense decreased approximately 45% to $635,000 in 1997 primarily due to the conversion of $24,263,000 of convertible subordinated debentures that were outstanding during the first half of 1996 and lower debt levels.

Income tax expense increased to $10,356,000 in 1997, compared to $4,040,000 for 1996. The increase in income tax expense was primarily due to the increase in income before taxes and an effective tax rate of 42% in 1997, compared to 28% in 1996. From a cash flow perspective, however, the Company continued to use its federal net operating loss carryforwards to offset taxable income. Cash expended to pay income taxes was $4,932,000 in 1997, compared to $1,759,000 in 1996. At December 31, 1997, the Company had federal tax NOLs totaling approximately $528,000.

Net income for 1997 was $14,297,000, or $1.20 diluted earnings per share, compared to $10,285,000, or $.90 diluted earnings per share, in 1996.

FINANCIAL CONDITION

Liquidity and Capital Resources - Cash flow from operating activities for 1998 was $25,172,000, compared to $13,483,000 in 1997. The increase in cash flow from operating activities resulted principally from an increase in income before the gain on the sale of 3dbm, Inc., a decrease in inventories and a reduction in prepaid income taxes. During 1998, the Company spent $11,827,000 on capital expenditures, $8,165,000 to purchase AEI, $14,652,000 to repurchase shares of the Company's common stock and repaid $919,000 of principal on its outstanding bank borrowings, promissory notes, term and commercial real estate loans.

In June 1998, the Company acquired the capital stock of AEI for $8,165,000 in cash and $1,900,000 in other liabilities. AEI is a leading manufacturer of high precision actuators, stepper motors, fractional horsepower motors and resolvers principally for commercial and military space applications. The acquisition was funded from internally generated cash, notes and other accounts payable to sellers and borrowings under the Company's credit agreement with its bank. The acquisition is expected to strengthen the Company's position in the aerospace industry and add complementary lines of business.

In August 1998, the Company sold the capital stock of its wireless communications subsidiary, 3dbm, Inc., for $17,250,000 in cash. The transaction resulted in an after-tax gain of $6,206,000, or $.53 per diluted share. The proceeds from this transaction will be used for general corporate purposes, including acquisitions and common stock repurchases. The Company sold 3dbm, Inc. because the level of investment required to ensure the long-term viability of 3dbm, Inc. in the wireless systems infrastructure business was more than the Company was willing to commit.

The Company's bank credit agreement provides for a $40,000,000 unsecured revolving credit line with an expiration date of July 1, 2001. At December 31, 1998, the Company had $40,000,000 of unused lines of credit available.

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 1999.

Aggregate maturities of long-term debt during the next five years are as follows: 1999, $1,434,000; 2000, $996,000; 2001, $909,000; 2002, $875,000; 2003, $560,000.

The Company expects to spend less than $15,000,000 for capital expenditures in 1999. 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 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 off-load requirements from its customers.

The Company declared a three-for-two stock split of the Company's common stock in the form of a stock dividend, which was effected on June 10, 1998 to shareholders of record as of May 20, 1998.

In July 1998, the Company's Board of Directors authorized the repurchase of up to $15,000,000 of its common stock. Repurchases were made from time to time on the open market at prevailing prices. As of December 31, 1998, the Company had repurchased 931,762 shares of its common stock in the open market for a total of approximately $14,652,000, or an average price of $15.73 per share. In January 1999, the Company's Board of Directors extended the Company's stock repurchase program and authorized the repurchase of up to an additional $15,000,000 of its common stock.

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 corrective 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.

FUTURE ACCOUNTING REQUIREMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 will become effective for the Company in 2000. The adoption of SFAS 133 is not expected to have a material effect on the Company's financial position, results of operations or cash flow.

YEAR 2000

The Company has commenced, for its systems, a Year 2000 date conversion project to address necessary code changes, testing, and implementation. Critical systems have been inventoried and assessed for Year 2000 compliance and the Company is in the process of testing and planning for contingencies. Project completion is planned for mid-1999 at a cost that is not expected to exceed $200,000. The Company expects its Year 2000 date conversion project to be completed on a timely basis. The Company is also evaluating both its products and its machinery and equipment against Year 2000 concerns. As a result of these ongoing evaluations, the Company is not currently aware of any significant exposure to contingencies related to the Year 2000 issue as a result of its information systems software, products, or machinery and equipment. The Company anticipates that by mid-1999, all planned evaluation and testing of material internal software applications, operating systems, products and machinery and equipment will be completed without any material expenditures or other material diversions of resources. The Company is currently working with third parties with which it has a material relationship to attempt to determine their preparedness with respect to Year 2000 issues and to analyze the risk to the Company in the event any such third parties experience significant business interruptions as a result of Year 2000 noncompliance. The Company expects to complete this review and analysis and to determine the need for contingency planning in this regard by mid-1999. However, there can be no assurance that the systems of the Company, or of other companies on which the Company's business or systems rely, will be Year 2000 compliant in a timely manner or that any failure to be Year 2000 compliant would not have an adverse effect on the Company's business or 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.

FORWARD LOOKING STATEMENT AND RISK FACTORS

Any forward-looking statements made in this Annual 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.

CONSOLIDATED STATEMENTS OF INCOME DUCOMMUN INCORPORATED

YEAR ENDED DECEMBER 31,	1998	1997	1996
(In thousands, except per share amounts)			
Net Sales	$ 170,772	$ 157,287	$ 118,357
Operating Costs and Expenses:			
Cost of goods sold	113,929	106,967	79,732
Selling, general and administrative expenses	27,048	25,032	23,147
Total Operating Costs and Expenses	140,977	131,999	102,879
Operating Income	29,795	25,288	15,478
Interest Expense	(125)	(635)	(1,153)
Gain on Sale of Subsidiary	9,249	--	--
Income Before Taxes	38,919	24,653	14,325
Income Tax Expense	(15,226)	(10,356)	(4,040)
Net Income	$ 23,693	$ 14,297	$ 10,285
Earnings Per Share:			
Basic earnings per share	$ 2.13	$ 1.30	$ 1.04
Diluted earnings per share	2.04	1.20	.90

Per share amounts have been adjusted for the 3-for-2 stock split in June 1998.

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS DUCOMMUN INCORPORATED

DECEMBER 31,	1998	1997
(In thousands, except share data)		
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 9,066	$ 2,156
Accounts receivable (less allowance for doubtful accounts of $125 and $359)	19,680	19,189
Inventories (Note 3)	19,495	24,604
Deferred income taxes (Note 11)	4,449	4,612
Prepaid income taxes	1,283	2,877
Other current assets	2,437	2,053
Total Current Assets	56,410	55,491
Property and Equipment, Net (Note 4)	41,145	30,594
Excess of Cost Over Net Assets Acquired (Net of Accumulated Amortization of $5,468 and $4,832)	18,974	16,907
Other Assets	675	1,249
	$ 117,204	$ 104,241
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt (Note 6)	$ 1,434	$ 919
Accounts payable	7,445	9,024
Accrued liabilities (Note 5)	16,738	15,366
Total Current Liabilities	25,617	25,309
Long-Term Debt, Less Current Portion (Note 6)	5,350	4,884
Deferred Income Taxes (Note 11)	1,714	--
Other Long-Term Liabilities	818	345
Total Liabilities	33,499	30,538
Commitments and Contingencies (Notes 2, 10 and 12)		
Shareholders' Equity (Note 7):		
Common stock -- $.01 par value; authorized 35,000,000 shares; issued 11,345,255 shares in 1998 and 7,454,198 in 1997	113	74
Additional paid-in capital	60,419	59,497
Retained earnings	37,825	14,132
Less common stock held in treasury -- 931,762 shares	(14,652)	--
Total Shareholders' Equity	83,705	73,703
	$ 117,204	$ 104,241

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS DUCOMMUN INCORPORATED

YEAR ENDED DECEMBER 31,	1998	1997	1996
(In thousands)			
Cash Flows from Operating Activities:			
Net Income	$ 23,693	$ 14,297	$ 10,285
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:			
Depreciation and amortization	5,868	5,340	4,473
Deferred income tax provision	1,783	5,200	2,014
Gain on sale of subsidiary	(9,249)	--	--
Change in Assets and Liabilities, Net of Effects From Acquisitions and Disposition:			
Accounts receivable	(1,798)	(4,467)	1,826
Inventories	4,313	(2,009)	(4,105)
Prepaid income taxes	1,594	(2,877)	--
Other assets	(613)	(429)	(636)
Accounts payable	(1,064)	681	2,310
Accrued and other liabilities	645	(2,253)	1,880
Net Cash Provided by Operating Activities	25,172	13,483	18,047
Cash Flows from Investing Activities:			
Purchase of Property and Equipment	(11,827)	(7,629)	(6,691)
Acquisition of Businesses	(8,165)	--	(8,000)
Proceeds from Sale of Subsidiary	17,250	--	--
Cash Payments Related to Sale of Subsidiary	(1,143)	--	--
Proceeds from Sale of Assets	233	--	--
Net Cash Used in Investing Activities	(3,652)	(7,629)	(14,691)
Cash Flows from Financing Activities:			
Net Repayment of Long-Term Debt	(919)	(4,487)	(2,555)
Purchase of Common Stock for Treasury	(14,652)	--	--
Other	961	218	(601)
Net Cash Used in Financing Activities	(14,610)	(4,269)	(3,156)
Net Increase in Cash and Cash Equivalents	6,910	1,585	200
Cash and Cash Equivalents, Beginning of Year	2,156	571	371
Cash and Cash Equivalents, End of Year	$ 9,066	$ 2,156	$ 571
Supplemental Disclosures of Cash Flow Information:			
Interest Expense Paid	$ 401	$ 720	$ 1,553
Income Taxes Paid	$ 9,464	$ 4,932	$ 1,759

Supplemental Information for Noncash Investing and Financing Activities:

See Note 2 for non-cash investing activities related to the acquisition of businesses.

During 1996, the Company issued 2,417,205 new shares of common stock upon conversion of $24,263,000 of its outstanding 7.75% convertible subordinated debentures.

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
DUCOMMUN INCORPORATED

(In thousands, except share data	Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock	Total Shareholders' Equity
Balance at January 1, 1996	4,852,281	$ 49	$34,989	$(10,450)	$ --	$ 24,588
Stock options exercised	43,200	--	156	--	--	156
Stock repurchased related to the exercise of stock options	(11,258)	--	(147)	--	--	(147)
Common stock issued upon conversion of outstanding 7.75% convertible subordinated debentures	2,417,205	24	24,100	--	--	24,124
Income tax benefit related to the exercise of nonqualified stock options	--	--	182	--	--	182
Net Income	--	--	--	10,285	--	10,285
Balance at December 31, 1996	7,301,428	73	59,280	(165)	--	59,188
Stock options exercised	269,117	3	1,030	--	--	1,033
Stock repurchased related to the exercise of stock options	(116,347)	(2)	(4,134)	--	--	(4,136)
Income tax benefit related to the exercise of nonqualified stock options	--	--	3,321	--	--	3,321
Net Income	--	--	--	14,297	--	14,297
Balance at December 31, 1997	7,454,198	74	59,497	14,132	--	73,703
Stock options exercised	198,550	2	981	--	--	983
Stock repurchased related to the exercise of stock options	(55,562)	--	(1,397)	--	--	(1,397)
Income tax benefit related to the exercise of nonqualified stock options	--	--	1,375	--	--	1,375
Adjustment for stock split	3,748,069	37	(37)	--	--	--
Common stock held in treasury	(931,762)	--	--	--	(14,652)	(14,652)
Net Income	--	--	--	23,693	--	23,693
Balance at December 31, 1998	10,413,493	$ 113	$60,419	$ 37,825	$(14,652)	$ 83,705

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation: The consolidated financial statements include the accounts of the Company and its subsidiaries, after eliminating significant intercompany balances and transactions.

Cash Equivalents: Cash equivalents consist of highly liquid instruments purchased with maturities of three months or less.

Revenue Recognition: Revenue, including sales under fixed price contracts, is recognized upon shipment of products or when title passes based on the terms of sale. The effects of revisions in contract value or estimated costs of completion are recognized over the remaining terms of the agreement. Provisions for estimated losses on contracts are recorded in the period identified.

Inventory Valuation: Inventories are stated at the lower of cost or market. Cost is determined based upon the first-in, first-out method. Costs on fixed price contracts in progress included in inventory represent accumulated recoverable costs less the portion of such costs allocated to delivered units and applicable progress payments received.

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 ranging from 2 to 40 years and, in the case of leasehold improvements, over the shorter of the lives of the improvements or the lease term.

Income Taxes: Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns.

Excess of Costs Over Net Assets Acquired: The cost of acquired businesses in excess of the fair market value of their underlying net assets is amortized on the straight-line basis over periods ranging from 15 to 40 years. The Company assesses the recoverability of cost in excess of net assets of acquired businesses by determining whether the amortization of this intangible asset over its remaining life can be recovered through future operating cash flows.

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.

Earnings Per Share: Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding in each year. Diluted earnings per share is computed by dividing income available to common stockholders 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 year. In 1998, 1997 and 1996, income available to common stockholders was $23,693,000, $14,297,000 and $10,285,000, respectively, and income associated with dilutive securities was $0, $0 and $222,000, respectively. In 1998, 1997 and 1996, the weighted average number of common shares outstanding was 11,149,000, 11,037,000 and 9,892,000, the dilutive shares associated with stock options were 469,000, 829,000 and 771,000, and the dilutive shares associated with the outstanding 7.75% convertible subordinated debentures were 0, 0 and 1,067,000, respectively.

Stock-Based Compensation: Compensation cost attributable to stock option and similar plans is recognized based on the difference, if any, between the closing market price of the stock on the date of grant over the exercise price of the option. The Company has not issued any stock options with an exercise price less than the closing market price of the stock on the date of grant.

Comprehensive Income: In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income"("SFAS 130"). SFAS 130 was effective for the Company during 1998. This statement divides comprehensive income into net income and other comprehensive income. The Company has no items of other comprehensive income in any period presented and is consequently not required to report comprehensive income.

Use of Estimates: Certain amounts and disclosures included in the consolidated financial statements required management to make estimates which could differ from actual results.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. ACQUISITIONS AND DISPOSITION

In June 1998, the Company acquired the capital stock of American Electronics, Inc. ("AEI") for $8,165,000 in cash and $1,900,000 in other liabilities. AEI is a leading manufacturer of high-precision actuators, stepper motors, fractional horsepower motors and resolvers principally for commercial and military space applications. In June 1996, the Company acquired substantially all of the assets of MechTronics of Arizona, Inc. ("MechTronics") for $8,000,000 in cash and a $750,000 note. The Company may be required to make additional payments through 1999, based on the future financial performance of the business of MechTronics. MechTronics is a leading manufacturer of mechanical and electromechanical enclosure products for the defense electronics, commercial aviation and communications markets.

The acquisitions of AEI and MechTronics were accounted for under the purchase method of accounting and, accordingly, the operating results for AEI and MechTronics have been included in the consolidated statements of income since the dates of the respective acquisitions. The cost of the acquisitions was allocated on the basis of the estimated fair value of assets acquired and liabilities assumed. These acquisitions accounted for approximately $7,705,000, $1,827,000 and $1,827,000 of the excess of cost over net assets acquired at December 31, 1998, December 31, 1997 and December 31, 1996. Such excess (which will increase for any future contingent payments) is being amortized on a straight-line basis over fifteen years.

The following table presents unaudited pro forma consolidated operating results for the Company for the year ended December 31, 1996, as if the MechTronics acquisition had occurred as of the beginning of the periods presented. Pro forma results for 1998, assuming the acquisition of AEI at the beginning of the period, would not have been materially different from the Company's historical results for the period presented.

	1996
(In thousands, except per share amounts)	(Unaudited)
Net sales	$ 125,762
Net earnings	10,166
Basic earnings per share	1.03
Diluted earnings per share	.89

The unaudited pro forma consolidated operating results of the Company are not necessarily indicative of the operating results that would have been achieved had the MechTronics acquisition been consummated at the beginning of the period presented, and should not be construed as representative of future operating results.

In August 1998, the Company sold the capital stock of its wireless communications subsidiary, 3dbm, Inc. The subsidiary was sold for $17,250,000 in cash, resulting in a pretax gain of $9,249,000 on the sale and an after-tax gain of $6,206,000, or $.53 per diluted share, which was recorded in the third quarter of 1998.

NOTE 3. INVENTORIES

Inventories consist of the following:

DECEMBER 31, (In thousands)	1998	1997
Raw materials and supplies	$ 7,081	$ 7,717
Work in process	12,630	17,058
Finished goods	820	1,041
	20,531	25,816
Less progress payments	1,036	1,212
Total	$19,495	$24,604

Work in process inventories include amounts under long-term fixed price contracts aggregating $7,171,000 and $10,500,000 at December 31, 1998 and 1997, respectively.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

DECEMBER 31, (In thousands)	1998	1997	Range of Estimated Useful Lives
Land	$ 9,560	$ 4,235	
Buildings and improvements	14,733	13,127	5 - 40 Years
Machinery and equipment	43,130	38,368	2 - 20 Years
Furniture and equipment	6,256	4,995	2 - 10 Years
Construction in progress	2,931	2,696	
	76,610	63,421	
Less accumulated depreciation and amortization	35,465	32,827	
Total	$41,145	$30,594	

Depreciation expense was $4,423,000, $4,056,000 and $3,410,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

NOTE 5. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

DECEMBER 31, (In thousands)	1998	1997
Accrued compensation	$ 8,357	$ 8,228
Provision for environmental costs	2,135	1,663
Customer deposits	534	1,181
Accrued state franchise and sales tax	462	288
Other	5,250	4,006
Total	$16,738	$15,366

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

Long-term debt is summarized as follows:

DECEMBER 31, (In thousands)	1998	1997
Bank credit agreement	$ --	$ --
Term and real estate loans	4,635	5,181
Notes and other liabilities for acquisitions	2,149	622
Total debt	6,784	5,803
Less current portion	1,434	919
Total long-term debt	$5,350	$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, 2001. Interest is payable monthly on the outstanding borrowings based on the bank's prime rate (7.75% at December 31, 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 December 31, 1998). At December 31, 1998, the Company had $40,000,000 of unused lines of credit available. The credit agreement includes fixed charge coverage and maximum leverage ratios, unused commitment fee, and limitations on future dividend payments and outside indebtedness.

The weighted average interest rate on borrowings outstanding was 6.73% and 7.24% at December 31, 1998 and 1997, respectively.

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.

Aggregate maturities of long-term debt during the next five years are as follows: 1999, $1,434,000; 2000, $996,000; 2001, $909,000; 2002, $875,000; 2003, $560,000.

NOTE 7. SHAREHOLDERS' EQUITY

At December 31, 1998 and 1997, no preferred shares were issued or outstanding.

In May 1998, the shareholders of the Company authorized the amendment of its Certificate of Incorporation to increase the Company's authorized common stock from 12,500,000 shares to 35,000,000 shares.

The Company effected a three-for-two stock split of the Company's common stock in the form of a stock dividend, which was paid on June 10, 1998 to shareholders of record as of May 20, 1998, and is reflected in all references to the number of common shares and per share amounts in this report. Average shares outstanding for 1998, 1997 and 1996, after adjusting for the stock split, were 11,149,000, 11,037,000 and 9,892,000, respectively.

In July 1998, the Board of Directors authorized the repurchase of up to $15,000,000 of its common stock. As of December 31, 1998, the Company had repurchased 931,762 shares of common stock in the open market for a total of approximately $14,652,000, or an average price of $15.73 per share.

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 December 31, 1998, options for 533,713 shares of common stock were exercisable.

The Company has adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). In accordance with the provisions of SFAS 123, 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 prescribed by SFAS 123. 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 123, the Company's net income and earnings per share would be reduced to the pro forma amounts indicated below:

YEAR ENDED DECEMBER 31,	1998	1997	1996
(In thousands, except per share amounts)			
Net Income:			
As reported	$ 23,693	$ 14,297	$ 10,285
Pro forma	23,150	14,032	10,101
Earnings per common share:			
As reported:			
Basic	$ 2.13	$ 1.30	$ 1.04
Diluted	2.04	1.20	.90
Pro forma:			
Basic	$ 2.08	$ 1.27	$ 1.02
Diluted	1.99	1.18	.88

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. The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for 1998, 1997 and 1996, respectively: dividend yields of zero percent; expected monthly volatility of 29.17, 30.62 and 31.75 percent; risk-free interest rates of 5.53, 6.38 and 6.33 percent; and expected option life of four years for 1998, 1997 and 1996. The weighted average fair value of options granted during 1998, 1997 and 1996, for which the exercise price equals the market price on the grant date, was $10.02, $4.99 and $3.23, respectively.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

At December 31, 1998, 372,702 common shares were available for future grants and 880,525 common shares were reserved for the exercise of options. Option activity during the three years ended December 31, 1998 was as follows:

	Number Of Shares	Weighted Average Exercise Price of Options Outstanding
Outstanding at January 1, 1996	1,076,288	$ 2.663
Granted	271,500	9.396
Exercised	(64,800)	2.423
Forfeited	(4,500)	5.917
Outstanding at December 31, 1996	1,278,488	4.093
Granted	97,500	14.600
Exercised	(403,676)	2.559
Forfeited	(51,525)	8.823
Outstanding at December 31, 1997	920,787	5.614
Granted	206,450	21.283
Exercised	(232,088)	4.237
Forfeited	(14,624)	17.177
Outstanding at December 31, 1998	880,525	$ 9.479

The following table summarizes information concerning currently outstanding and exercisable stock options:

Range of Exercise Prices	Number of Outstanding Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 1.250 - $ 2.999	254,375	2.34	$ 2.470	254,375	$ 2.470
$ 3.000 - $ 4.999	148,350	2.64	3.118	148,163	3.116
$ 5.000 - $ 7.999	15,000	1.92	6.750	11,250	6.750
$ 8.000 - $11.999	163,350	2.33	9.083	81,675	9.083
$12.000 - $17.999	100,500	3.04	14.289	38,250	14.698
$18.000 - $23.210	198,950	4.12	21.284	--	
Total	880,525	2.86	$ 9.479	533,713	$ 4.628

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 December 31, 1998 and December 31, 1997 were $638,000 and $658,000, respectively, which are included in accrued liabilities.

The Company provides certain health care benefits for retired employees. Employees become eligible for these benefits if they meet minimum age and service requirements, are eligible for retirement benefits and agree to contribute a portion of the cost. As of December 31, 1998, there were 139 current and retired employees eligible for such benefits. Eligibility for additional employees to become covered by retiree health benefits was terminated in 1988. The Company accrues postretirement health care benefits over the period in which active employees become eligible for such benefits. The accrued postretirement benefit cost under these plans is included in accrued liabilities.

The components of net periodic postretirement benefits cost for these plans are as follows:

YEAR ENDED DECEMBER 31, (In thousands)	1998	1997
Service cost	$ 1	$ 1
Interest cost	92	103
Amortization of net transition obligation	84	84
Amortization of actuarial gain	(22)	(22)
Net periodic postretirement benefit cost	$ 155	$ 166

The actuarial liabilities for these postretirement benefits are as follows:

DECEMBER 31, (In thousands)	1998	1997
Beginning obligation (January 1)	$ 1,481	$ 1,485
Service cost	1	1
Interest cost	92	103
Actuarial gain	(103)	(68)
Benefits paid	(73)	(83)
Benefit obligation (December 31)	1,398	1,438
Unrecognized net transition obligation	(571)	(655)
Unrecognized prior service cost	--	--
Unrecognized net gain	402	363
Accrued benefit cost	$ 1,229	$ 1,146

The accumulated postretirement benefit obligations at December 31, 1998 and 1997 were determined using an assumed discount rate of 6.75% and 7.00%, respectively. For measurement purposes, an 8.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1999; the rate was assumed to decrease gradually to 4.75% in the year 2009 and remain at that level thereafter over the projected payout period of the benefits.

A 1% increase in the assumed annual health care cost trend rate would increase the present value of the accumulated postretirement benefit obligation at December 31, 1998 by $500, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by $0.

NOTE 10. 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 in 1998, 1997 and 1996, was $3,483,000, $4,156,000 and $3,890,000, respectively. Future minimum rental payments under operating leases having initial or remaining noncancelable terms in excess of one year at December 31, 1998 are as follows:

(In thousands)	Lease Commitments
1999	$2,848
2000	2,339
2001	1,730
2002	1,191
2003	655
Thereafter	1,219
Total	$9,982

NOTE 11. INCOME TAXES

The provision for income tax expense consists of the following:

YEAR ENDED DECEMBER 31, (In thousands)	1998	1997	1996
Current tax expense:			
Federal	$11,355	$ 3,390	$ 735
State	2,088	1,766	1,291
	13,443	5,156	2,026
Deferred tax expense:			
Federal	1,747	5,171	2,230
State	36	29	(216)
	1,783	5,200	2,014
Income Tax Expense	$15,226	$10,356	$4,040

Deferred tax assets (liabilities) are comprised of the following:

December 31, (In thousands)	1998	1997
Federal NOLs	$ --	$ 185
Credit carryforwards	--	1,803
Employment-related reserves	2,077	2,170
Environmental reserves	751	565
Inventory reserves	1,289	1,582
Other	1,351	1,248
	5,468	7,553
Depreciation	(2,733)	(2,561)
Net deferred tax assets	$ 2,735	$ 4,992

The principal reasons for the variation from the customary relationship between income taxes and income from continuing operations before income taxes are as follows:

Year ended December 31,	1998	1997	1996
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes (net of federal benefit)	4.1	5.3	5.6
Goodwill amortization	.5	1.2	2.1
Benefit of net operating loss carryforwards and carrybacks	--	--	(12.3)
Debt conversion	--	--	1.4
Other	(.5)	.5	(3.6)
Effective Income Tax Rate	39.1%	42.0%	28.2%

During 1998, the Company utilized its remaining federal tax net operating loss carryforwards and its federal tax credit carryforwards.

NOTE 12. 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 corrective 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 to Boeing, Lockheed Martin and Raytheon. During 1998, 1997 and 1996, sales to Boeing were $48,334,000, $36,375,000 and $21,907,000, respectively; sales to Lockheed Martin were $18,465,000, $17,455,000 and $13,037,000, respectively; and sales to Raytheon were $12,596,000, $9,101,000 and $3,514,000, respectively. At December 31, 1998, trade receivables from Boeing, Lockheed Martin and Raytheon were $4,352,000, $1,891,000 and $1,752,000, respectively. The sales and receivables relating to Boeing, Lockheed Martin and Raytheon are diversified over a number of different commercial, space and military programs.

In 1998, 1997 and 1996, foreign sales to manufacturers worldwide were $29,007,000, $29,978,000 and $21,155,000, respectively. Canada is the only country in which the Company had sales of 3.5% or more of total sales, with sales of $6,173,000, $7,950,000 and $4,906,000 in 1998, 1997 and 1996, respectively. The amounts of revenue, profitability and identifiable assets attributed to foreign operations are not material when compared with revenue, profitability and identifiable assets attributed to United States domestic operations during 1998, 1997 and 1996.

NOTE 14. QUARTERLY FINANCIAL DATA (UNAUDITED)

	1998				1997			
Three months ended	Dec 31	Oct 3	Jul 4	Apr 4	Dec 31	Sep 27	Jun 28	Mar 29
(in thousands, except per share amounts)								
Sales and Earnings								
Net Sales	$ 40,484	$ 41,273	$ 45,754	$ 43,261	$ 42,116	$ 40,482	$ 39,384	$ 35,305
Gross Profit	13,591	13,488	15,980	13,784	12,701	12,761	13,754	11,104
Gain on Sale of Subsidiary	--	9,249	--	--	--	--	--	--
Income Before Taxes	7,783	16,561	8,572	6,003	7,370	6,401	6,344	4,538
Income Tax Expense	(3,209)	(6,041)	(3,515)	(2,461)	(3,098)	(2,686)	(2,664)	(1,908)
Net Income	$ 4,574	$ 10,520	$ 5,057	$ 3,542	$ 4,272	$ 3,715	$ 3,680	$ 2,630
Earnings Per Share:								
Basic	$ .42	$ .94	$ .45	$ .32	$ .38	$ .34	$ .34	$ .24
Diluted	$.40	$ .90	$ .43	$ .30	$ .36	$ .31	$ .31	$ .22

In 1997, the Company adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"). The unaudited quarterly data presented above for the first three quarters of 1997 have been restated to comply with the provisions of SFAS 128.

Per share amounts have been adjusted for the 3-for-2 stock split in June 1998.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Ducommun Incorporated

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of changes in shareholders' equity present fairly, in all material respects, the financial position of Ducommun Incorporated and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICEWATERHOUSECOOPERS LLP

Los Angeles, California
February 12, 1999

EXHIBIT 21

SUBSIDIARIES OF REGISTRANT

As of December 31, 1998, the active subsidiaries of the Company were:

Aerochem, Inc., a California corporation

AHF-Ducommun Incorporated, a California corporation

American Electronics, Inc., a California corporation

Brice Manufacturing Company, Inc., a California corporation

Ducommun Technologies, Inc., a California corporation

MechTronics of Arizona Corp., an Arizona corporation

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-31777, 33-82164, 33-36415, 33-9383, 2-83732, 2-77309 and 2-64222) of Ducommun Incorporated of our report dated February 12, 1999 appearing on page 37 of the Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears on page 17 of this Form 10-K.

PricewaterhouseCoopers LLP

Los Angeles, California
March 1, 1999

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1,000

YEAR
DEC-31-1998
JAN-01-1998
DEC-31-1998
9,066
0
19,805
125
19,495
56,410
76,610
35,465
117,204
25,617
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0
113
83,592
117,204
170,772
170,772
113,929
113,929
27,048
0
125
38,919
15,226
23,693
0
0
0
23,693
2.13
2.04

FOR PURPOSES OF THIS EXHIBIT, PRIMARY MEANS BASIC