FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the quarterly period ended July 4, 1998

OR

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

For the transition period from _____________ to _____________

Commission File Number 1-8174

DUCOMMUN INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware	95-0693330
(State or other jurisdiction of incorporation or organization)	I.R.S. Employer Identification No.

111 West Ocean Boulevard, Suite 900, Long Beach, California 90802
(Address of principal executive offices) (Zip Code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of July 4, 1998, there were outstanding 11,258,837 shares of common stock.

DUCOMMUN INCORPORATED
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	July 4, 1998	December 31, 1997
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 879	$ 2,156
Accounts receivable (less allowance for doubtful accounts of $152 and $359)	22,162	19,189
Inventories	21,676	24,604
Deferred income taxes	3,790	4,612
Prepaid income taxes	227	2,877
Other current assets	3,030	2,053
Total Current Assets	51,764	55,491
Property and Equipment, Net	39,735	30,594
Deferred Income Taxes	380	380
Excess of Cost Over Net Assets Acquired (Net of Accumulated Amortization of $5,499 and $4,832)	22,034	16,907
Other Assets	1,002	869
	$ 114,915	$ 104,241
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt (Note 4)	$ 1,567	$ 919
Accounts payable	8,664	9,024
Accrued liabilities	16,132	15,366
Total Current Liabilities	26,363	25,309
Long-Term Debt (Note 4)	5,646	4,884
Other Long-Term Liabilities	345	345
Total Liabilities	32,354	30,538
Commitments and Contingencies (Note 6)		
Shareholders' Equity (Note 5):		
Common stock -- $.01 par value; authorized 35,000,000 shares; issued and outstanding 11,258,837 shares in 1998 and 11,181,297 in 1997	112	74
Additional paid-in capital	59,718	59,497
Retained earnings	22,731	14,132
Total Shareholders' Equity	82,561	73,703
	$ 114,915	$ 104,241

Share data have been adjusted for the 3-for-2 stock split in June 1998.
See accompanying notes to consolidated financial statements.

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

	For Three Months Ended	
	July 4, 1998	June 28, 1997
Net Sales	$ 45,754	$ 39,384
Operating Costs and Expenses:		
Cost of goods sold	29,774	25,630
Selling, general and administrative expenses	7,283	7,216
Total Operating Costs and Expenses	37,057	32,846
Operating Income	8,697	6,538
Interest Expense	(125)	(194)
Income Before Taxes	8,572	6,344
Income Tax Expense	(3,515)	(2,664)
Net Income	$ 5,057	$ 3,680
Earnings Per Share:		
Basic earnings per share	$ .45	$ .34
Diluted earnings per share	.43	.31
Weighted Average Number of Common Shares for Computation of Earnings Per Share:		
Basic earnings per share	11,236	10,982
Diluted earnings per share	11,811	11,906

Per-share amounts have been adjusted for the 3-for-2 stock split in June 1998.
See accompanying notes to consolidated financial statements.

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

	For Six Months Ended July 4, 1998	For Six Months Ended June 28, 1997
Net Sales	$ 89,015	$ 74,689
Operating Costs and Expenses:		
Cost of goods sold	59,251	49,831
Selling, general and administrative expenses	14,981	13,581
Total Operating Costs and Expenses	74,232	63,412
Operating Income	14,783	11,277
Interest Expense	(208)	(395)
Income Before Taxes	14,575	10,882
Income Tax Expense	(5,976)	(4,572)
Net Income	$ 8,599	$ 6,310
Earnings Per Share:		
Basic earnings per share	$ .77	$ .58
Diluted earnings per share	.73	.53
Weighted Average Number of Common Shares for Computation of Earnings Per Share:		
Basic earnings per share	11,215	10,971
Diluted earnings per share	11,783	11,881

Per-share amounts have been adjusted for the 3-for-2 stock split in June 1998.
See accompanying notes to consolidated financial statements

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

	For Six Months Ended July 4, 1998	For Six Months Ended June 28, 1997
Cash Flows from Operating Activities:		
Net Income	$ 8,599	$ 6,310
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and amortization	2,857	2,642
Deferred income tax provision	348	3,158
Changes in Assets and Liabilities, Net of Effects from Acquisition:		
Accounts receivable	(2,537)	(3,834)
Inventories	4,257	(3,329)
Prepaid income taxes	2,650	--
Other assets	(861)	326
Accounts payable	(444)	678
Accrued and other liabilities	(654)	(1,738)
Net Cash Provided by Operating Activities	14,215	4,213
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(7,309)	(3,329)
Acquisition	(8,146)	--
Other	194	--
Net Cash Used in Investing Activities	(15,261)	(3,329)
Cash Flows from Financing Activities:		
Net Repayments of Long-Term Debt	(490)	(1,496)
Other	259	109
Net Cash Provided/(Used) in Financing Activities	(231)	(1,387)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,277)	(503)
Cash and Cash Equivalents, Beginning of Period	2,156	571
Cash and Cash Equivalents, End of Period	$ 879	$ 68
Supplemental Disclosures of Cash Flows Information:		
Interest Expense Paid	$ 243	$ 459
Income Taxes Paid	$ 2,165	$ 2,510

See accompanying notes to consolidated financial statements.

DUCOMMUN INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS

Note 1. The consolidated balance sheets, consolidated statements of income and consolidated statements of cash flows are unaudited as of and for the three months and six months ended July 4, 1998 and June 28, 1997. The financial information included in the quarterly report should be read in conjunction with the Company's consolidated financial statements and the related notes thereto included in its annual report to shareholders for the year ended December 31, 1997.

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

Note 3. Earnings Per Share

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.

Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding in each period. Diluted earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding plus any potential dilution that could occur if stock options were exercised or converted into common stock in each period. For the three months ended July 4, 1998 and June 28, 1997, income available to common stockholders was $5,057,000 and $3,680,000, respectively. The weighted average number of common shares outstanding for the three months ended July 4, 1998 and June 28, 1997 were 11,236,000 and 10,982,000 and the dilutive shares associated with stock options were 575,000 and 924,000, respectively. For the six months ended July 4, 1998 and June 28, 1997, income available to common stockholders was $8,599,000 and $6,310,000, respectively. The weighted average number of common shares outstanding for the six months ended July 4, 1998 and June 28, 1997 were 11,215,000 and 10,971,000 and the dilutive shares associated with stock options were 568,000 and 910,000, respectively.

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

	(In thousands) July 4, 1998	December 31, 1997
Term and real estate loans	$4,878	$5,181
Promissory notes related to acquisitions	2,335	622
Total debt	7,213	5,803
Less current portion	1,567	919
Long-term debt, less current portion	$5,646	$4,884

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

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

Note 5. Shareholders' Equity

In May 1998 the shareholders of Ducommun Incorporated 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 at July 4, 1998 and June 28, 1997, after adjusting for the stock split, were 11,215,000 and 10,971,000, respectively.

In July 1998 the Board of Directors authorized the repurchase of up to $15,000,000 of its common stock.

Note 6. Commitments and Contingencies

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

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

Note 7. Acquisition

In June 1998, the Company acquired the capital stock of American Electronics, Inc. ("AEI") for $8,146,000 in cash and $1,900,000 in notes and 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. Calendar 1997 sales of AEI exceeded $7.1 million, of which approximately 60% were related to space programs. The acquisition of AEI was accounted for under the purchase method of accounting, and based on preliminary allocation of the purchase price, the Company recorded goodwill of $5,794,000. The consolidated statements of income include the operating results for AEI since the date of the acquisition.

The acquisition was funded from internally generated cash, notes payable to sellers and borrowings under the Company's credit agreement with its bank. The acquisition will strengthen the Company's position in the aerospace industry, add complementary lines of business and improve utilization of existing manufacturing facilities and overhead structure.

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

FINANCIAL STATEMENT PRESENTATION

The interim financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are, in the opinion of the Company, necessary for a fair presentation of the results for the interim periods presented.

ACQUISITION

In June 1998, the Company acquired the capital stock of American Electronics, Inc. ("AEI") for $8,146,000 in cash and $1,900,000 in notes and 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. Calendar 1997 sales of AEI exceeded $7.1 million, of which approximately 60% were related to space programs. The acquisition of AEI was accounted for under the purchase method of accounting, and based on preliminary allocation of the purchase price, the Company recorded goodwill of $5,794,000. The consolidated statements of income include the operating results for AEI since the date of the acquisition.

The acquisition was funded from internally generated cash, notes payable to sellers and borrowings under the Company's credit agreement with its bank. The acquisition will strengthen the Company's position in the aerospace industry, add complementary lines of business and improve utilization of existing manufacturing facilities and overhead structure.

RESULTS OF OPERATIONS

Second Quarter of 1998 Compared to Second Quarter of 1997

Net sales increased 16% to $45,754,000 in the second quarter of 1998. The increase resulted from a broad-based increase in sales in most of the Company's product lines due to improved industry conditions and new contract awards.

The Company had substantial sales to Boeing and Lockheed Martin. During the second quarter of 1998 and 1997, sales to Boeing were approximately $14,238,000 and $8,321,000, respectively; and sales to Lockheed Martin were approximately

$5,676,000 and $4,424,000, respectively. The sales relating to Boeing and Lockheed Martin are diversified over a number of different commercial, space and military programs.

Gross profit, as a percentage of sales, was 34.9% for the second quarter of 1998 and the second quarter of 1997.

Selling, general and administrative expenses, as a percentage of sales, were 15.9% for the second quarter of 1998 compared to 18.3% in 1997. The decrease in these expenses as a percentage of sales was primarily the result of higher sales volume partially offset by an increase in related period costs.

Interest expense decreased approximately 36% to $125,000 in the second quarter of 1998 compared to $194,000 for 1997. The decrease in interest expense was primarily due to lower debt levels.

Income tax expense increased to $3,515,000 in the second quarter of 1998 compared to $2,664,000 for 1997. The increase in income tax expense was primarily due to the increase in income before taxes. Cash paid for income taxes was $2,111,000 in the second quarter of 1998, compared to $2,160,000 in 1997.

Net income for the second quarter of 1998 was $5,057,000, or $0.43 diluted earnings per share, compared to $3,680,000, or $0.31 diluted earnings per share, in 1997.

Six Months of 1998 Compared to Six Months of 1997

Net sales increased 19% to $89,015,000 in the first six months of 1998. The increase resulted from a broad-based increase in sales in most of the Company's product lines due to increased outsourcing from the primes and first tier subcontractors as well as new contract awards.

The Company had substantial sales to Boeing and Lockheed Martin. During the first six months of 1998 and 1997, sales to Boeing were approximately $25,634,000 and $16,419,000, respectively; and sales to Lockheed Martin were approximately $10,412,000 and $8,558,000, respectively. The sales relating to Boeing and Lockheed Martin are diversified over a number of different commercial, space and military programs.

At July 4, 1998, backlog believed to be firm was approximately $169,200,000 compared to $153,500,000 at June 28, 1997 and $155,700,000 at December 31, 1997. Approximately $71,000,000 of the total backlog is expected to be delivered during 1998.

Gross profit, as a percentage of sales, was 33.4% for the first six months of 1998 compared to 33.3% in 1997.

Selling, general and administrative expenses, as a percentage of sales, were 16.8% for the first six months of 1998 compared to 18.2% in 1997. The decrease in these expenses as a percentage of sales was primarily the results of higher sales volume partially offset by an increase in related period costs.

Interest expense decreased approximately 47% to $208,000 in the first six months of 1998 compared to $395,000 for 1997. The decrease in interest expense was primarily due to lower debt levels.

Income tax expense increased to $5,976,000 in the first six months of 1998 compared to $4,572,000 for 1997. The increase in income tax expense was primarily due to the increase in income before taxes. Cash paid for income taxes was $2,165,000 in the first six months of 1998, compared to $2,510,000 in 1997.

Net income for the first six months of 1998 was $8,599,000, or $0.73 diluted earnings per share, compared to $6,310,000, or $0.53 diluted earnings per share, in 1997.

FINANCIAL CONDITION

Liquidity and Capital Resources

Cash flow from operating activities for the six months ended July 4, 1998 was $14,215,000, compared to $4,213,000 for the six months ended June 28, 1997. The increase in cash flow from operating activities resulted principally from an increase in net income, a decrease in inventory, and a reduction during 1998 in prepaid income taxes. The Company continues to depend on operating cash flow and the availability of its bank line of credit to provide short-term liquidity. Cash from operations and bank borrowing capacity are expected to provide sufficient liquidity to meet the Company's obligations during 1998. The Company's bank credit agreement provides for a $40,000,000 unsecured revolving credit line with an expiration date of July 1, 1999. At July 4, 1998, the Company had $40,000,000 of unused lines of credit available. See Note 4 to the Notes to Consolidated Financial Statements.

In June 1998, the Company acquired the capital stock of American Electronics, Inc. ("AEI") for $8,146,000 in cash and $1,900,000 in notes and 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. Calendar 1997 sales of AEI exceeded $7.1 million, of which approximately 60% were related to space programs. The acquisition of AEI was accounted for under the purchase method of accounting, and based on preliminary allocation of the purchase price, the Company recorded goodwill of $5,794,000. The consolidated statements of income include the operating results for AEI since the date of the acquisition.

The acquisition was funded from internally generated cash, notes payable to sellers and borrowings under the Company's credit agreement with its bank. The acquisition will strengthen the Company's position in the aerospace industry, add complementary lines of business and improve utilization of existing manufacturing facilities and overhead structure.

The Company spent $7,309,000 on capital expenditures during the first six months of 1998 and expects to spend approximately $16,000,000 in aggregate for capital expenditures in 1998. The Company plans to make these capital expenditures in 1998 primarily for manufacturing equipment and facilities to support long-term aerospace structure contracts for both commercial and military aircraft and space programs. These expenditures are expected to place the Company in a favorable competitive position among aerospace subcontractors, and to allow the Company to take advantage of the offload requirements from its customers.

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.

In July 1998 the Company's Board of Directors authorized the repurchase of up to $15 million of its common stock. Repurchases will be made from time to time on the open market at prevailing prices. The shares initially will be held as treasury 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 correction action.

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

FORWARD-LOOKING STATEMENTS AND RISK FACTORS

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

FUTURE ACCOUNTING REQUIREMENTS

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

YEAR 2000

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

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Inapplicable.

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

1998 annual meeting of the Company was held on May 6, 1998. At the meeting, Norman A. Barkeley, H. Frederick Christie and Kevin S. Moore were elected as directors of the Company to serve for three-year terms expiring at the annual meeting in 2001. In the election of directors, the shareholder vote was as follows: Norman A. Barkeley, For - 6,911,685, Abstain - 206,309; H. Frederick Christie, For - 6,911,935, Abstain - 206,059; Kevin S. Moore, For - 6,912,285, Abstain - 205,709. The directors whose terms of office continued after the annual meeting are: Joseph C. Berenato, Robert C. Ducommun, Thomas P. Mullaney, Richard J. Pearson and Arthur W. Schmutz.

In addition, at the annual meeting the shareholders approved an amendment to the Restated Certificate of Incorporation. In approving the amendment to the Restated Certificate of Incorporation to increase to 35,000,000 the number of authorized shares of Common Stock thereunder, the shareholder vote was as follows: For - 5,531,894, Against - 1,570,467, Abstain - 15,633.

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

(a) 27 Financial Data Schedule

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

SIGNATURES

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

DUCOMMUN INCORPORATED
(Registrant)

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

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

Date: July 28, 1998

EXHIBIT INDEX

Exhibit Number	Description
27	Financial Data Schedule

5
1,000

6-MOS
DEC-31-1998
JAN-01-1998
JUL-04-1998
879
0
22,314
152
21,676
51,764
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