FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the quarterly period ended September 30, 1995

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 0-1222

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

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

23301 South Wilmington Avenue, Carson, California 90745
(Address of principal executive offices) (Zip Code)

(310) 513-7200
(Registrant's telephone number, including area code)

N/A
(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 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 September 30, 1995, there were outstanding 4,472,826 shares of common stock.

DUCOMMUN INCORPORATED
FORM 10-Q
INDEX

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 1995	December 31, 1994
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,998	$ 8,483
Accounts receivable (less allowance for doubtful accounts of $169 and $182)	14,175	9,923
Inventories	12,166	10,334
Other receivables	45	476
Deferred income taxes (Note 5)	2,490	2,469
Other current assets	961	615
Total Current Assets	32,835	32,300
Property and Equipment, Net	23,129	23,568
Deferred Income Taxes (Note 5)	7,388	8,310
Excess of Cost Over Net Assets Acquired (Net of Accumulated Amortization of $2,056 and $1,193)	18,247	14,693
Other Assets (Note 4)	1,284	981
	$ 82,883	$ 79,852
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt (Note 4)	$ 4,389	$ 12,170
Accounts payable	4,196	3,725
Accrued liabilities	12,940	9,695
Total Current Liabilities	21,525	25,590
Long-Term Debt (Note 4)	13,756	9,743
Convertible Subordinated Debentures (Note 4)	28,000	28,000
Other Long-Term Liabilities	579	736
Total Liabilities	63,860	64,069
Commitments and Contingencies (Note 6)		
Shareholders' Equity:		
Common stock - $.01 par value; authorized 12,500,000 shares; issued and outstanding 4,472,826 shares in 1995 and 4,464,154 in 1994	45	45
Additional paid-in capital	31,236	31,234
Accumulated deficit	(12,258)	(15,496)
Total Shareholders' Equity	19,023	15,783
	$ 82,883	$ 79,852

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	
	Sep. 30, 1995	Oct. 1, 1994
Net Sales	$ 24,080	$ 15,460
Operating Costs and Expenses:		
Cost of goods sold	15,939	11,076
Selling, general and administrative expenses	4,920	3,151
Total Operating Costs and Expenses	20,859	14,227
Operating Income	3,221	1,233
Interest	(984)	(601)
Income from Operations Before Taxes	2,237	632
Income Tax Expense (Note 5)	(584)	(174)
Net Income	$ 1,653	$ 458
Earnings Per Share:		
Primary	$ .34	$ .10
Fully Diluted	.27	.10
Weighted Average Number of Common and Common Equivalent Shares Outstanding for Computation of Earnings Per Share		
Primary	4,880	4,597
Fully Diluted	7,707	4,597

See accompanying notes to consolidated financial statements.

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

	For Nine Months Ended	
	Sep. 30, 1995	Oct.1, 1994
Net Sales	$ 67,903	$ 45,506
Operating Costs and Expenses:		
Cost of goods sold	46,255	32,241
Selling, general and administrative expenses	14,356	8,959
Total Operating Costs and Expenses	60,611	41,200
Operating Income	7,292	4,306
Interest	(2,853)	(1,867)
Income From Operations Before Taxes	4,439	2,439
Income Tax Expense (Note 4)	(1,201)	(753)
Net Income	$ 3,238	$ 1,686
Earnings Per Share:		
Primary	$ .68	$ .37
Fully diluted	.57	.37
Weighted Average Number of Common and Common Equivalent Shares Outstanding for Computation of Earnings Per Share:		
Primary	4,783	4,566
Fully diluted	7,704	4,566

See accompanying notes to consolidated financial statements.

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

	For Nine Months Ended	
	Sep. 30, 1995	Oct. 1, 1994
Cash Flows from Operating Activities:		
Net Income	$ 3,238	$ 1,686
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and amortization	3,304	2,299
Deferred income tax provision	901	763
Changes in Assets and Liabilities, Net of Effects from 3dbm Acquisition:		
Accounts receivable	(3,712)	757
Inventories	39	732
Other receivables	446	132
Other current assets	(329)	264
Other assets	(62)	(259)
Accounts payable	(355)	(727)
Accrued and other liabilities	2,030	734
Net Cash Provided by Operating Activities	5,500	6,381
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(1,792)	(897)
Acquisition of 3dbm	(4,427)	-
Net Cash Used in Investing Activities	(6,219)	(897)
Cash Flows from Financing Activities:		
Proceeds from the Sale of Stock	39	-
Net Repayments of Long-Term Debt	(4,768)	(358)
Repurchase of Stock	(37)	(6)
Net Cash Used in Financing Activities	(4,766)	(364)
Net (Decrease) Increase in Cash and Cash Equivalents	(5,485)	5,120
Cash and Cash Equivalents at Beginning of Period	8,483	534
Cash and Cash Equivalents at End of Period	$ 2,998	$ 5,654
Supplemental Disclosures of Cash Flows Information:		
Interest Expense Paid	$ 2,132	$ 2,420
Income Taxes Paid	$ 150	$ 119

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 nine months ended September 30, 1995 and October 1, 1994. 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, 1994.

Note 2. Earnings per common share is based on the weighted average number of common and common equivalent shares outstanding in each period. Common equivalent shares represent the number of shares which would be issued assuming the exercise of dilutive stock options, reduced by the number of shares which would be purchased with the proceeds from the exercise of such options. The computations of earnings per share are as follows:

DUCOMMUN INCORPORATED AND SUBSIDIARIES
Computation of Earnings Per Common and Common Equivalent Share
(In thousands, except per share amounts)

	For Quarter Ended	
	Sep. 30, 1995	Oct. 1, 1994
Income for Computation of Primary Earnings Per Share	$ 1,653	$ 458
Interest, Net of Income Taxes, Relating to 7 3/4% Convertible Subordinated Debentures	390	(A)
Net Income for Computation of Primary Earnings Per Share	$ 1,653	$ 458
Net Income for Computation of Fully Diluted Earnings Per Share	$ 2,043	$ 458
Applicable Shares:		
Weighted Average Common Shares Outstanding for Computation of Primary Earnings Per Share	4,471	4,464
Weighted Average Common Equivalent Shares Arising From:		
7 3/4% convertible subordinated debentures	2,806	(B)
Stock options:		
Primary	409	133
Fully diluted	430	(B)
Weighted Average Common and Common Equivalent Shares Outstanding for Computation of Fully Diluted Earnings Per Share	7,707	4,597
Earnings Per Share:		
Primary	$ .34	$ .10
Fully diluted	.27	.10

(A) Excludes interest, net of income taxes, relating to 7 3/4% Convertible Subordinated Debentures because their common stock equivalent shares are antidilutive.

(B) Excludes common stock equivalents relating to 7 3/4% Convertible Subordinated Debentures and Common Stock Options which are antidilutive.

DUCOMMUN INCORPORATED AND SUBSIDIARIES
Computation of Earnings Per Common and Common Equivalent Share
(In thousands, except per share amounts)

	For Nine Months Ended	
	Sep. 30, 1995	Oct. 1, 1994
Income for Computation of Primary Earnings Per Share	$ 3,238	$ 1,686
Interest, Net of Income Taxes, Relating to 7 3/4% Convertible Subordinated Debentures	1,169	(A)
Net Income for Computation of Primary Earnings Per Share	$ 3,238	$ 1,686
Net Income for Computation of Fully Diluted Earnings Per Share	$ 4,407	$ 1,686
Applicable Shares:		
Weighted Average Common Shares Outstanding for Computation of Primary Earnings Per Share	4,468	4,463
Weighted Average Common Equivalent Shares Arising From:		
7 3/4% convertible subordinated debentures	2,806	(B)
Stock options:		
Primary	315	103
Fully diluted	430	(B)
Weighted Average Common and Common Equivalent Shares Outstanding for Computation of Fully Diluted Earnings Per Share	7,704	4,566
Earnings Per Share:		
Primary	$ .68	$ .37
Fully diluted	.57	.37

(A) Excludes interest, net of income taxes, relating to 7 3/4% Convertible Subordinated Debentures because their common stock equivalent shares are antidilutive.

(B) Excludes common stock equivalents relating to 7 3/4% Convertible Subordinated Debentures and Common Stock Options which are antidilutive.

Note 3. Acquisitions

In December 1994, Ducommun acquired the capital stock of Brice Manufacturing Company, Inc. ("Brice") for $763,000 in cash and $10,365,000 in notes and other contractual liabilities. Under the terms of the stock purchase agreement, Ducommun may be required to make additional payments for each of the years 1995 to 1999, contingent upon Brice achieving certain levels of financial performance. Any such payments are generally capitalized as additional cost in excess of net assets acquired. Brice 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 equipment, and other cabin interior components for commercial aircraft.

In December 1994, Ducommun's subsidiary, Jay-El Products, Inc., acquired substantially all of the assets and assumed certain liabilities of Dynatech Microwave Technology, Inc. ("DMT"), for $7,500,000 in cash. DMT has been integrated with Jay-El Products. DMT manufactures switches and other microwave components used on commercial and military aircraft. DMT also has developed several new products that apply its existing microwave technology to nonaerospace markets, including the wireless communications field.

In January 1995, Ducommun acquired the capital stock of 3dbm, Inc. for $4,780,000 in cash (of which $353,000 has been withheld with respect to certain assets and potential liabilities of 3dbm) and $1,000,000 in notes. Under the terms of the stock purchase agreement, Ducommun may be required to make additional payments for each of the years 1995 to 1997, contingent upon 3dbm achieving certain levels of financial performance. 3dbm supplies microcell systems and other wireless telecommunications hardware used in cellular telephone networks, low-power television transmitters, and microwave components and subsystems to both military and commercial customers.

The acquisitions of Brice, DMT and 3dbm described above were accounted for under the purchase method of accounting and, accordingly, the operating results for Brice, DMT and 3dbm have been included in the Consolidated Statements of Income since the dates of the respective acquisitions. The cost of the acquisitions has been preliminarily allocated on the basis of the estimated fair value of assets acquired and the liabilities assumed. This resulted in approximately $16,148,000 of cost in excess of net assets acquired. Such excess (which will increase for any future contingent payments) is being amortized on a straight line basis over fifteen years.

Note 4. Long-term debt and convertible subordinated debentures are summarized as follows:

	(In thousands)	
	Sep. 30, 1995	Dec. 31, 1994
Bank credit agreement	$ 12,250	$ 7,500
Term and real estate loans	3,681	4,048
Promissory notes related to acquisitions	2,214	10,365
Total debt	18,145	21,913
Less current portion	4,389	12,170
Total long-term debt	$ 13,756	$ 9,743
7 3/4% Convertible subordinated debentures due 2011	$ 28,000	$ 28,000

In July 1995, the Company and its bank amended the Company's credit agreement. The amended credit agreement provides for a $5,500,000 working capital line of credit and an $11,350,000 acquisition term loan at September 30, 1995. The working capital line of credit has an expiration date of July 15, 1997 and the acquisition term loan has a December 31, 1998 expiration date. Interest is payable monthly on the outstanding borrowings based on the bank's prime rate plus 0.25% for the working capital line of credit and the bank's prime rate plus 0.75% for the acquisition term loan. A Eurodollar pricing option is also available to the Company for terms of up to six months at the Eurodollar rate plus 2.0% for the working capital line of credit and the Eurodollar rate plus 2.5% for the acquisition term loan. The bank's prime rate at September 30, 1995 was 8.75%. At September 30, 1995, the Company had $4,258,000 of unused lines of credit, after deducting $900,000 of loans outstanding for working capital, $11,350,000 of loans outstanding for the acquisitions and $342,000 for an outstanding standby letter of credit which supports the estimated post-closure maintenance cost for a former surface impoundment.

Borrowings under the credit agreement are secured by most of the assets of the Company and its subsidiaries. The credit agreement includes minimum effective tangible net worth and earnings covenants, debt to effective tangible net worth, fixed charge coverage and quick ratios, and limitations on capital expenditures, future dividend payments and outside indebtedness.

Interest is paid semiannually on the 7.75% convertible subordinated debentures which are convertible into 2,805,611 shares of common stock at a conversion price of $9.98 per share, and are subject to a mandatory redemption of $2,000,000 per year from 1996 to 2010. The Company currently holds sufficient debentures to satisfy the redemption requirement through the year 2001.

Debt issuance costs related to the issuance of convertible debt are being amortized over the term of the debt. Unamortized debt issuance costs of $479,000 and $519,000 at September 30, 1995 and December 31, 1994, respectively, are included in Other Assets.

Aggregate maturities of long-term debt, together with sinking fund payments required, are as follows: 1995, $1,035,000; 1996, $4,243,000; 1997, $6,257,000; 1998, $4,120,000; 1999, $209,000.

Note 5. Income Taxes

The provision for income tax expense consists of the following:

	(In thousands) For Nine Months Ended	
	Sep. 30, 1995	Oct. 1, 1994
Current tax expense:		
Federal	$ 75	$ (6)
State	225	(4)
	300	(10)
Deferred tax expense:		
Federal	846	858
State	55	(95)
	901	763
Income Tax Expense	$ 1,201	$ 753

Deferred tax assets (liabilities) consist of the following:

	(In thousands)	
	Sep. 30, 1995	Dec. 31, 1994
Federal and state NOLs	$ 13,940	$ 14,871
Credit carryforwards	1,180	1,113
Employment-related reserves	1,242	1,242
Inventory reserves	354	354
Other	988	1,025
	17,704	18,605
Depreciation	(2,676)	(2,676)
Net deferred tax assets before valuation allowance	15,028	15,929
Deferred tax assets valuation allowance	(5,150)	(5,150)
	$ 9,878	$ 10,779

At September 30, 1995, the Company had federal tax NOLs totalling $40 million which expire in the years 1999 through 2004. SFAS 109 requires that the tax benefit of such NOLs be recorded, measured by enacted tax rates, as an asset to the extent management assesses the utilization of such NOLs to be "more likely than not." Management has determined that the income of the Company will, more likely than not, be sufficient to realize the recorded net deferred tax asset prior to the ultimate expiration of the NOLs. Realization of the future tax benefits of NOLs is dependent on the Company's ability to generate sufficient taxable income within the carryforward period. In assessing the likelihood of utilization of existing NOLs, management considered the historical results of operations of its operating subsidiaries, including recently acquired operations, and the current economic environment in which the Company operates. Management does not expect and did not consider any material changes in trends or the relationship between reported pretax income and federal taxable income or material asset sales or similar non-routine transactions in assessing the likelihood of realization of the recorded net deferred tax asset.

Future levels of pretax income are dependent upon the extent of defense spending and other government budgetary pressures, the level of new aircraft orders by commercial airlines, production rate requirements for the Space Shuttle program, growth in the Company's cellular products business, general economic conditions, interest rates, competitive pressures on sales and margins, price levels and other factors beyond the Company's control. No assurance can be given that sufficient taxable income will be generated for the realization of the recorded deferred tax asset net of the valuation allowance.

The Company's ability to utilize $18 million of its NOLs is subject to limitation. This limitation resulted from the changes in the conversion price of the Company's convertible debt securities following the distribution in 1988 of Arrow Electronics, Inc. stock to the Company's shareholders. Management considered this limitation when recording the Company's deferred tax asset. Furthermore, the ability of the Company to utilize its NOLs would be subject to additional significant limitation in the event of a "change of ownership" as defined in the Internal Revenue Code. A "change of ownership" could be caused by purchases or sales of the Company's securities owned by persons or groups now or in the future having ownership of 5% or more of the Company's outstanding common stock or issuance by the Company of common stock (including shares that are issuable on conversion of the debentures).

Note 6. Contingencies

Ducommun's subsidiary, Aerochem, Inc. ("Aerochem"), is a major supplier of close tolerance chemical milling services for the aerospace and aircraft industries. At Aerochem's facility located in El Mirage, California, there have been indications that nitrates, fluorides, metals and other contaminants may have entered the groundwater in the vicinity of a percolation pond used by the former owner of the facility. In early 1993, perchloroethylene and trichloroethylene also were detected in the groundwater underlying the El Mirage facility and an adjacent parcel of property. Aerochem has been directed by the California Environmental Protection Agency and the Lahontan Region Water Quality Control Board to perform additional groundwater investigational work at the El Mirage facility to characterize the vertical and horizontal extent of groundwater contamination, and to conduct a pilot scale project for possible groundwater remediation. Aerochem is in the process of implementing a work plan to characterize the extent of groundwater contamination in accordance with the agencies' directives. Based upon currently available information, the Company has established a provision for the additional groundwater investigational work and pilot scale groundwater remediation project directed by the agencies. Depending on the results of the groundwater investigational work and pilot scale groundwater remediation project, Aerochem may be required to perform soil and/or groundwater remediation work at its El Mirage facility. The Company presently is not able to estimate the cost of such remediation work.

Aerochem has been notified by the United States Environmental Protection Agency ("EPA") that Aerochem and other generators of hazardous waste disposed at the Casmalia Resources Hazardous Waste Facility (the "Casmalia Site"), an inactive hazardous waste treatment, storage and disposal facility, may be responsible for certain costs associated with the cleanup and closure of the Casmalia Site. Aerochem, together with certain other generators, is presently engaged in negotiations with the EPA. Aerochem believes that any liability it may incur in connection with the Casmalia Site will not be material, because Aerochem contributed less than 1/4% of the total waste disposed at the Casmalia Site and many other substantially larger companies and governmental entities are involved at the Casmalia Site. The Company has established a provision, based on currently available information, for Aerochem's share of the estimated cost of cleanup and closure of the Casmalia Site.

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 result of operations.

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

FINANCIAL STATEMENT PRESENTATION

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

Acquisitions

In December 1994, the Company acquired the stock of Brice Manufacturing Company, Inc. ("Brice"), and acquired the assets and assumed certain liabilities of Dynatech Microwave Technology, Inc. ("DMT") for approximately $11 million and $7.5 million, respectively. In January 1995, the Company acquired the stock of 3dbm, Inc. ("3dbm") for approximately $5.8 million. Brice is an after-market supplier of aircraft seating products supplied to many of the world's largest commercial airlines. DMT is a manufacturer of switches and other microwave components used on commercial and military aircraft and in other nonaerospace commercial applications. 3dbm is a supplier of microcell systems and other wireless telecommunications hardware used in cellular telephone networks, low-power television transmitters and microwave components and subsystems to both military and commercial customers.

These acquisitions were funded from internally generated cash, notes payable to sellers and borrowings under the Company's credit agreement with its bank (see Financial Condition for additional information). These acquisitions 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 AND EFFECTS OF INFLATION

Third Quarter 1995 Compared to Third Quarter 1994

Net sales increased 56% to $24,080,000 in the third quarter of 1995. The increase was due primarily to sales from businesses acquired in December 1994 and January 1995, and increased off-load work for aircraft structural components from prime contractors and major subcontractors. During the third quarter, a subsidiary of the Company also entered into a marketing agreement with Kabool Limited in South Korea, and third quarter sales benefitted from the initial delivery of wireless telecommunications products pursuant to this agreement.

The Company had substantial sales to Lockheed Martin, Northrop Grumman, McDonnell Douglas and Boeing. During 1995 and 1994, sales to Lockheed Martin were approximately $2,215,000 and $2,329,000, respectively; sales to Northrop Grumman were approximately $2,969,000 and $2,095,000, respectively; sales to McDonnell Douglas were approximately $2,374,000 and $1,771,000, respectively; and sales to Boeing were approximately $1,399,000 and $1,202,000, respectively. The sales to Lockheed Martin are primarily related to the Space Shuttle program. The sales relating to Northrop Grumman, McDonnell Douglas and Boeing are diversified over a number of different commercial and military programs.

Gross profit, as a percentage of sales, was 33.8% for the third quarter of 1995 compared to 28.4% in 1994. This increase in gross profit as a percentage of sales was primarily due to the economies of scale resulting from sales increases and improvements in production efficiencies.

Selling, general and administrative expenses were 20.4% of sales in 1995 and 1994.

Interest expense increased to $984,000 in 1995 compared to $601,000 in 1994 primarily due to higher debt levels caused by acquisition financing.

As a result of adopting Statement of Financial Accounting Standards No. 109 -- "Accounting for Income Taxes" ("SFAS 109") in 1993, the Company was not able to utilize the benefit of its net operating loss carryforwards to compute income tax expense for financial reporting purposes. This resulted in income tax expense of $584,000 and $174,000 in 1995 and 1994, respectively, for financial reporting purposes. From a cash flow perspective, however, the Company continues to use its federal and state tax net operating loss carryforwards to offset taxable income. Cash expended to pay income taxes was $25,000 in the third quarter of 1995. Cash expended to pay income taxes during the third quarter of 1994 aggregated $64,000. For further discussion relating to the adoption of SFAS 109 by the Company, see Note 5 to the consolidated financial statements.

Net income for the third quarter of 1995 was $1,653,000, or $0.27 per share, compared to $458,000, or $0.10 per share, in 1994.

Nine Months of 1995 Compared to Nine Months of 1994

Net sales increased 49% to $67,903,000 for the nine months ended September 30, 1995. The increase was due primarily to sales from businesses acquired in December 1994 and January 1995, and increased off-load work for aircraft structural components from prime contractors and major subcontractors. The Company sales also benefitted from the initial delivery of wireless tele-communications products pursuant to a marketing agreement entered into during the third quarter with Kabool Limited in Korea.

The Company had substantial sales to Lockheed Martin, Northrop Grumman, McDonnell Douglas and Boeing. During 1995 and 1994, sales to Lockheed Martin were approximately $6,761,000 and $6,833,000, respectively; sales to Northrop Grumman were approximately $7,582,000 and $5,727,000, respectively; sales to McDonnell Douglas were approximately $7,521,000 and $5,487,000, respectively; and sales to Boeing were approximately $4,166,000 and $4,309,000, respectively. The sales to Lockheed Martin are primarily related to the Space Shuttle program. The sales relating to Northrop Grumman, McDonnell Douglas and Boeing are diversified over a number of different commercial and military programs.

At September 30, 1995, backlog believed to be firm was approximately $88,600,000, including $25,800,000 for space-related business, compared to $71,400,000 at October 1, 1994 and $84,800,000 at December 31, 1994. Approximately $20,000,000 of the total backlog is expected to be delivered during the fourth quarter of 1995.

Gross profit, as a percentage of sales, increased to 31.9% in 1995 from 29.2% in 1994. This increase was primarily the result of changes in sales mix, economies of scale resulting from sales increases and improvements in production efficiencies, partially offset by production inefficiencies resulting from the relocation of the DMT business in the first quarter of 1995, higher production costs at 3dbm, changes in customer production schedules and the start of new production programs.

Selling, general and administrative expenses increased to 21.1% of sales in 1995, compared to 19.7% of sales for 1994. The increase in these expenses as a percentage of sales was primarily the result of higher sales volume, goodwill amortization and period costs related to acquisitions.

Interest expense increased to $2,853,000 in 1995 compared to $1,867,000 in 1994 primarily due to higher debt levels caused by acquisition financing.

As a result of adopting Statement of Financial Accounting Standards No. 109 -- "Accounting for Income Taxes" ("SFAS 109") in 1993, the Company was not able to utilize the benefit of its net operating loss carryforwards to compute income tax expense for financial reporting purposes. This resulted in income tax expense of $1,201,000 and $753,000 in 1995 and 1994, respectively, for financial reporting purposes. From a cash flow perspective, however, the Company continues to use its federal and state tax net operating loss carryforwards to offset taxable income. Cash expended to pay income taxes was $150,000 during the nine months ended September 30, 1995, compared to $119,000 during the nine months ended October 1, 1994. For further discussion relating to the adoption of SFAS 109 by the Company, see Note 5 to the consolidated financial statements.

Net income for the nine months ended September 30, 1995 was $3,238,000, or $0.57 per share, compared to $1,686,000, or $0.37 per share, in 1994.

FINANCIAL CONDITION

Liquidity and Capital Resources

Cash flow from operating activities for the nine months ended September 30, 1995 was $5,500,000 compared to $6,381,000 in the comparable period of 1994. This reduction was primarily due to higher receivables related to the Brice and DMT acquisitions. During the nine months ended September 30, 1995 the Company had net bank borrowings of $4,750,000, of which $4,427,000 were used to purchase 3dbm in January 1995. The Company also repaid $11,168,000 of principal on its outstanding debt, including $8,976,000 relating to Brice as discussed below.

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 borrowings capacity are expected to provide sufficient liquidity to meet the Company's obligations during 1995.

In July 1995, the Company and its bank amended the Company's credit agreement. The amended credit agreement provides for $5,500,000 working capital line of credit and an $11,350,000 acquisition term loan at September 30, 1995. The working capital line of credit has an expiration date of July 15, 1997 and the acquisition term loan has a December 31, 1998 expiration date. Interest is payable monthly on the outstanding borrowings based on the bank's prime rate plus 0.25% for the working capital line of credit and the bank's prime rate plus 0.75% for the acquisition term loan. A Eurodollar pricing option is also available to the Company for terms of up to six months at the Eurodollar rate plus 2.0% for the working capital line of credit and the Eurodollar rate plus 2.5% for the acquisition term loan. The bank's prime rate at September 30, 1995 was 8.75%. At September 30, 1995, the Company had $4,258,000 of unused lines of credit, after deducting $900,000 of loans outstanding for working capital, $11,350,000 of loans outstanding for the acquisitions and $342,000 for an outstanding standby letter of credit which supports the estimated post-closure maintenance cost for a former surface impoundment.

Borrowings under the credit agreement are secured by most of the assets of the Company and its subsidiaries. The credit agreement includes minimum effective tangible net worth and earnings covenants, debt to effective tangible net worth, fixed charge coverage and quick ratios, and limitations on capital expenditures, future dividend payments and outside indebtedness.

On December 6, 1994, the Company incurred $10,365,000 in notes and other contractual liabilities to the former shareholders of Brice. The Company paid $8,976,000 of these notes through September 30, 1995. Of the remaining $1,389,000 of notes and contractual liabilities, $750,000 is subject to interest. Quarterly interest is payable at 7.75% per annum. Principal is payable in installments which commenced on March 6, 1995 with final payment due in December 1999.

Interest is paid semiannually on the 7.75% convertible subordinated debentures which are convertible into 2,805,611 shares of common stock at a conversion price of $9.98 per share, and are subject to a mandatory redemption of $2,000,000 per year from 1996 to 2010. The Company currently holds sufficient debentures to satisfy the redemption requirements through the year 2001.

Ducommun is exploring the possibility of calling or making a conversion offer for a portion of its currently outstanding 7.75% convertible subordinated debentures, which are convertible into common stock at $9.98 per share. The timing and amount of debentures involved in such a transaction will depend upon a variety of factors, including the market price of Ducommun's common stock and general economic conditions.

Aggregate maturities of long-term debt, together with sinking fund payments required, are as follows: 1995, $1,035,000; 1996, $4,243,000; 1997, $6,257,000; 1998, $4,120,000; 1999, $209,000.

The Company spent $1,792,000 on capital expenditures during the nine months ended September 30, 1995 and expects to spend less than $3,000,000 for capital expenditures in 1995.

Ducommun's subsidiary, Aerochem, Inc. ("Aerochem"), is a major supplier of close tolerance chemical milling services for the aerospace and aircraft industries. At Aerochem's facility located in El Mirage, California, there have been indications that nitrates, fluorides, metals and other contaminants may have entered the groundwater in the vicinity of a percolation pond used by the former owner of the facility. In early 1993, perchloroethylene and trichloroethylene also were detected in the groundwater underlying the El Mirage facility and an adjacent parcel of property. Aerochem has been directed by the California Environmental Protection Agency and the Lahontan Region Water Quality Control Board to perform additional groundwater investigational work at the El Mirage facility to characterize the vertical and horizontal extent of groundwater contamination and to conduct a pilot scale project for possible groundwater remediation. Aerochem is in the process of implementing a work plan to characterize the extent of groundwater contamination in accordance with the agencies' directives. Based upon currently available information, the

Company has established a provision for the additional groundwater investigational work and pilot scale groundwater remediation project directed by the agencies. Depending on the results of the groundwater investigational work and pilot scale groundwater remediation project, Aerochem may be required to perform soil and/or groundwater remediation work at its El Mirage facility. The Company presently is not able to estimate the cost of such remediation work.

Aerochem has been notified by the United States Environmental Protection Agency ("EPA") that Aerochem and other generators of hazardous waste disposed in the Casmalia Resources Hazardous Waste facility (the "Casmalia Site"), an inactive hazardous waste treatment, storage and disposal facility, may be responsible for certain costs associated with the cleanup and closure of the Casmalia Site. Aerochem, together with certain other generators, is presently engaged in negotiations with the EPA. Aerochem believes that any liability it may incur in connection with the Casmalia Site will not be material, because Aerochem contributed less than 1/4% of the total waste disposed at the Casmalia Site and many other substantially larger companies and governmental entities are involved at the Casmalia Site. The Company has established a provision, based on currently available information, for Aerochem's share of the estimated cost of cleanup and closure of the Casmalia Site.

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 result of operations.

PART II - OTHER INFORMATION

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

a) Exhibits

Exhibit Number	Description
4	First Amendment to Third Amended and Restated Loan Agreement dated as of June 30, 1995.
27	Financial Data Schedule

b) Reports on Form 8-K

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/ Joseph C. Berenato

Joseph C. Berenato
Executive Vice President,
Chief Operating Officer and
Chief Financial Officer
(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: October 24, 1995

FIRST AMENDMENT TO THIRD AMENDED AND RESTATED LOAN AGREEMENT

This First Amendment to Third Amended and Restated Loan Agreement (the "Amendment") dated as of June 30, 1995, is between Bank of America National Trust and Savings Association (the "Bank") and Ducommun Incorporated (the "Borrower").

RECITALS

A. The Bank and the Borrower entered into that certain Third Amended and Restated Loan Agreement dated as of January 20, 1995 (the "Agreement").

B. The Bank and the Borrower desire to 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 In Schedule 1 of the Agreement, the definition of "Expiration Date" is amended by deleting the date "July 15, 1996" therefrom, and inserting the date "July 15, 1997" in its stead.

2.2 In Subparagraph 1.12(e) of the Agreement, the period at the end of item (ix) of the definition of "Excess Cash Flow" is deleted and the following substituted therefor:

", (x) minus any voluntary Commitment reduction for that fiscal period."

2.3 In Subparagraph 1.12(e) of the Agreement, item (i) of the definition of Cash Flow is amended and restated in its entirety to read as follows:

"(i) Minus any increase (and plus any decrease) in Working Capital over that fiscal period (excluding $1,800,000 of the Working Capital Advances),"

2.4 In Subparagraph 1.12(e) of the Agreement, item (iii) of the definition of "EBITDA" is amended and restated in its entirety to read as follows:

"(iii) provisions for taxes accrued in that fiscal period,"

2.5 The following Subparagraph (h) is added to Paragraph 1.12 of the Agreement:

"(h) Interim permanent prepayments of Acquisition Advances outstanding under the Commitment are permitted at the Borrower's option and will be applied; (i) first to the next scheduled principal payment within the calendar quarter, and (ii) then to scheduled principal payments in the inverse order of their maturity and the Commitment shall concurrently be reduced by the amount of any such prepayments."

2.6 In Paragraph 7.2 of the Agreement, Subparagraph (f) is amended and restated in its entirety to read as follows:

"(f) Updated projections for the Borrower and its Subsidiaries (prepared on a consolidated and consolidating basis) as follows: (i) within 60 days prior to the end of each Fiscal Year on an annual basis for the subsequent Fiscal Years through December 31, 1998, and (ii) within 30 days after the end of each Fiscal Year the annual operating plan for the current Fiscal Year, on a monthly basis; such projections required by (i) and (ii) above to be in form and detail satisfactory to the Bank, and each one to be submitted together with the certification of the Borrower's chief financial officer stating that the projections are based on facts known to the Borrower and on assumptions that are reasonable and consistent with such facts, that no material (in amount and likelihood) fact or assumption has been omitted as a basis for such projections which, in the Borrower's reasonable business judgment, should be included, and that such projections are reasonably based on such facts and assumptions."

2.7 In Paragraph 7.3 of the Agreement, Subparagraphs (a) and (b) are amended and restated in their entirety to read as follows:

"(a) Twenty Four Million Dollars ($24,000,000); plus

(b) 90% of the net income after income taxes (without subtracting losses) earned in each Fiscal Quarter commencing March 31, 1995; minus

(c) any earnout payments to former Brice and 3DBM stockholders in connection with the Brice acquisition or the 3DBM acquisition, if such earnout payments are capitalized."

2.8 In Paragraph 7.4 of the Agreement, the ratios required for the periods are amended and restated in their entirety to read as follows:

Period	Ratio
the date hereof through December 30, 1995	1.65:1.00
December 31, 1995 through December 30, 1996	1.40:1.00
December 31, 1996 through December 30, 1997	1.10:1.00
December 31, 1997 through December 31, 1998	.90:1.00

2.9 In Paragraph 7.5 of the Agreement, the lead in paragraph is amended and restated in full to read as follows:

"7.5 Quick Ratio. To maintain, on a consolidated basis as of the end of each month, a ratio of selected current assets to selected current liabilities of at least 0.55:1.00 commencing June 30, 1995 and at all times, calculated in accordance with GAAP consistently applied."

2.10 In Paragraph 7.6 of the Agreement, the ratios required for the periods are amended and restated in their entirety as follows:

Period	Ratio
the date hereof through June 29, 1995	1.10:1.00
June 30, 1995 through December 30, 1995	1.08:1.00
December 31, 1995 through March 30, 1997	1.15:1.00
March 31, 1997 through March 30, 1998	1.20:1.00
March 31, 1998 and at all times	1.25:1.00

2.11 The following is added to Subparagraph 7.6(a) of the Agreement:

"minus (x) earnout payments in connection with the Brice acquisition or the 3DBM Acquisition, if such earnout payments are capitalized;"

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. 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.

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

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By:_________________________________
J. Thomas Fagan
Vice President

DUCOMMUN INCORPORATED

By:_________________________________
Joseph C. Berenato
Executive Vice President, Chief
Operating Officer and Chief
Financial Officer

By:_________________________________
James S. Heiser
Vice President and
Secretary

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