Ducommun Incorporated

2002 Annual Report

Vision Statement:

A premier supplier to the worldwide aerospace and related high technology markets, profitably growing by producing highly engineered aerostructural subassemblies, electromechanical subsystems and proprietary products with a balance between the commercial, military and space market segments.

We listened to our customers and reshaped Ducommun as a key supplier to the aerospace industry for the future.

Ducommun has formed two distinct business units: Ducommun AeroStructures and Ducommun Technologies. Our customers have told us that they are dramatically reducing the number of suppliers they will use in the future. Our major customers are looking for larger, more capable suppliers who can provide quality, delivery and price. We have reorganized to deliver what the customer wants.

On the cover: the Boeing F-18

Fellow shareholders,

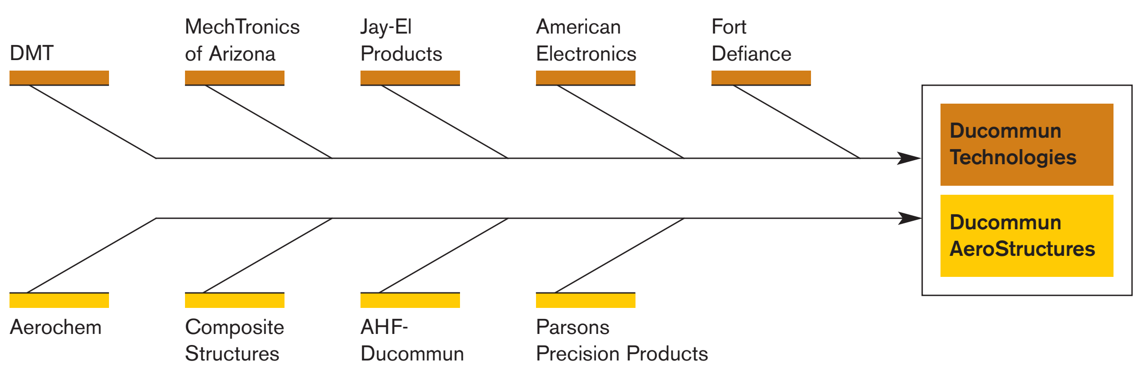
2002 was a year of mixed markets within the aerospace industry, and a disappointing one here at Ducommun. Continuing losses and reduced flight schedules at many of the world's airlines led to a dramatic decline in commercial jet aircraft deliveries. The Boeing Company has reported that it delivered 381 aircraft in 2002 and expects to deliver between 275–285 aircraft in 2003, compared to 527 aircraft in 2001. In contrast, the military marketplace experienced solid growth, with analysts projecting 4–5% annual increases in U.S. defense procurement budgets for the next several years. Finally, the space segment remains flat with no upswing anticipated before 2005.

While sales were essentially flat at $212.4 million for the year ended December 31, 2002, compared with $212.7 million for 2001, the 2002 period benefited from full year sales from two acquisitions completed in 2001. Had these two acquisitions been a part of Ducommun for all of 2001, the 2002 drop in sales would have been approximately $46.5 million. Net income during 2002 fell to $6.5 million from $14.6 million in 2001.

The drop in net income derived from four primary causes. First, the sharp drop in sales (adjusted for acquisitions) coupled with increasing pricing pressures on both new contracts and renewals of existing contracts resulted in lower profits and profit margins. Second, we made a loss contract provision at Ducommun AeroStructures for estimated future losses on a new contract placed into production during 2002. Third, we experienced quality issues with our Apache helicopter blade program, which caused us to record provisions for warranty and inventory reserves. Fourth, we recorded a charge from an accounting change for goodwill impairment at Brice Manufacturing, and a loss from discontinued operations upon its sale.

On a positive note, Ducommun continues to achieve success in generating strong cashflow. In 2002, we generated over $25 million in cash flow from operations, which allowed us to reduce our Total Debt to Total Capital ratio to 17%, comfortably below our target level of 30%. Our strong balance sheet provides ample capacity for future program development, capital expenditures, or acquisition related activities.

In addition to the specific events of 2002, the aerospace industry is facing a dramatic change in the way its supply chain operates. This change is creating a window of opportunity for Ducommun and other suppliers who are positioned to take advantage of it. Our major customers no longer want to manage a huge supply base with their own large in-house purchasing departments. Instead, they are increasingly looking to develop larger and more capable key suppliers who

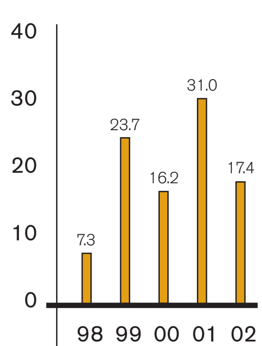


will deliver larger and more complex subsystems and subassemblies directly to their assembly lines and who will manage the bulk of the smaller suppliers for them. We have been listening to our customers and over the past two years we have organized our activities around two business segments: Ducommun AeroStructures, formed in 2001, and Ducommun Technologies, formed in 2002. We believe that this structural change in the industry will be of substantial and long-term benefit to Ducommun.

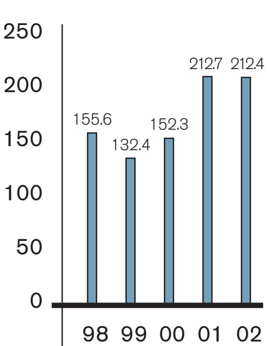
DUCOMMUN TECHNOLOGIES Ducommun Technologies (DT) was formed in October 2002 to combine the design engineering capability of our Carson, California facility with the subassembly and concurrent engineering capabilities of our MechTronics operations in Arizona. We are clearly building momentum in this business segment. The combination of these businesses has provided sufficient size to support increased activities in engineering, sales and marketing, Lean enterprise and supply chain management. The market here is largely military (2002: 75% military, 25% commercial), which currently is providing substantial opportunities. DT's focus is in engineered products and subsystem integration for both OEM and electronic upgrade programs. This focus on engineered product is a key for the Corporation and our acquisition efforts are concentrated in this electromechanical product arena. DT's challenge is to continue to move up the value chain progressing from engineered components to engineered subassemblies. The combination of these businesses has been well received by our customers and new opportunities have already surfaced due to the combined and enhanced array of our capabilities. DT's insistence on high quality and delivery has led the Carson facility to be recognized as a Boeing Silver Supplier (only 200 out of 12,000 suppliers) and the Phoenix facility to be recognized as a Lockheed Star Supplier, Lockheed's highest accolade. Although DT contributed only 36% of Ducommun's sales in 2002, it provided 60% of Ducommun's operating income. In 2002 we were awarded the following contracts:

- $7 million Military Avionics Upgrade Programs for Apache and Blackhawk Helicopters (aftermarket)
- $12 million F-18 Radar System (OEM and aftermarket)
- $7 million F-15 Radar System Upgrade Program
- $4 million Phalanx System Shipboard Upgrade Program
- $8 million F-15 Radar System Program (OEM)

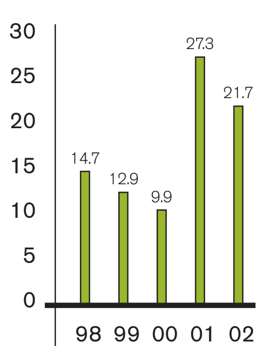
In addition, DT is a partner in Raytheon's development of the AESA Radar System Upgrade Program for F-18 Aircraft.



Total Debt/Total Capital
(in percentages)



Sales
(in millions of dollars)



Free Cash Flow
(cash flow from operations less capital expenditures)
(in millions of dollars)

DUCOMMUN AEROSTRUCTURES Ducommun AeroStructures finds itself in a tough market. While we possess specialized process and production capabilities in a variety of metal forming, chem-milling, metal bonding, composites and machining competencies, substantial overcapacity within the aerostructures industry has created a difficult pricing environment. Within this framework we are working hard to improve quality and delivery through the continuous application of Lean Manufacturing metrics. We are also reducing our cost structure through supply chain management, headcount reductions, outsourcing of noncore activities and facility footprint reductions. As we market our combined capabilities to the aerospace marketplace, we are finding a receptive audience for our broad array of capabilities. Our focus is on winning contracts which allow us to provide components and subassemblies in areas not directly impacted by the decline in commercial aircraft build rates. In 2002 we were awarded the following contracts:

- $11 million Embraer Regional Jet (170/190) Large Fuselage Skins (OEM)
- $45 million 737 NG Wing Spoiler Assemblies (OEM)
- $14 million 737 NG Blended Winglet Assemblies (OEM and aftermarket)
- $7 million S-61 Composite Helicopter Blade Assemblies (aftermarket)
- $1 million Development Contract for Joint Strike Fighter Augmentor Duct

OUTLOOK The purpose of these business combinations is to create lean and focused businesses which have the right capabilities to solve our customers' problems, the financial capacity to support our growth, and the operating capability to meet ever tighter standards of quality and delivery at a competitive price. The next two years will be difficult as we contend with low commercial build rates and low pricing, but in the process we are building a better company, one that is becoming indispensable to its customers. Our goal, therefore, is to prevail. So, we are listening to our customers, and as they continue to down-select to the suppliers of the future, I am confident that we will be one of the winners.

I want to thank our employees whose teamwork, effort and loyalty are essential to building this Company through these difficult times. We also thank our customers, suppliers and shareholders for their continued confidence and support.

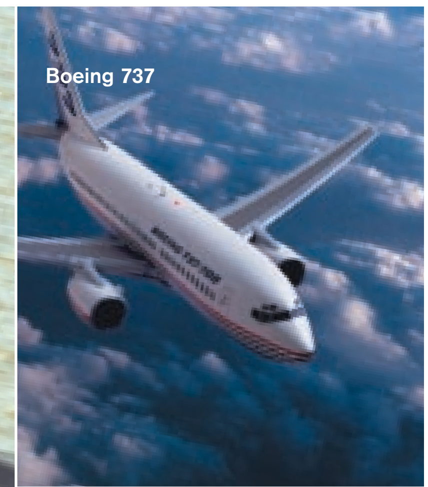
Joseph C. Berenato

Chairman, President, Chief Executive Officer

Our resources provide a broad range of services to every facet of the aerospace industry.

Ducommun is a premier supplier to the commercial, military and space markets. Virtually every major U.S. military aircraft program is equipped with Ducommun parts and subassemblies, as are commercial aircraft around the world. Every space shuttle and many satellites launch with Ducommun parts.


The Apache Long-Bow


Boeing 737


C-17 Military Transport Jet

Ducommun AeroStructures

Ducommun AeroStructures (DAS) designs, engineers and manufactures the largest, most complex contoured aerostructure components in the aerospace industry. In addition, DAS is one of the largest suppliers of composite and metal bond structures and assemblies, including aircraft wing spoilers, helicopter rotor blades, flight control surfaces and engine components. DAS's integrated processes include bonding, stretch-forming, thermal-forming, chemical milling, precision fabrication, machining, finishing processes, and integration of components into subassemblies.

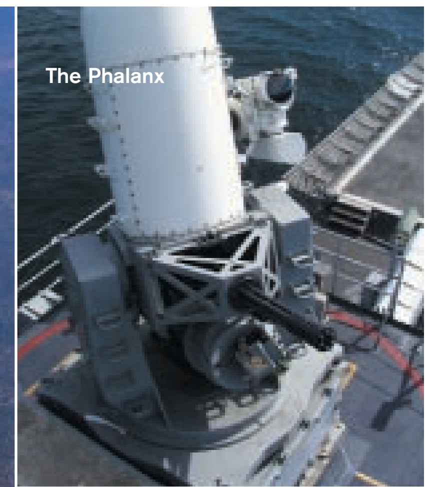
DAS's consolidation strategy has received positive response from virtually all our current and potential customers. The unique niche manufacturing process capabilities of the DAS companies support the current design trend toward large monolithic structural parts and the capital equipment in place to perform these processes is a substantial barrier to entry for emerging competition. DAS's teaming strategy to establish the company as a supplier of unique proprietary parts is also working. The start-up of the Aviation Partners Incorporated and Aviation Partners Boeing Blended Winglet programs and the Carson all-composite rotor blade establish DAS in teaming relationships for long-term production of proprietary products. These programs also provide the opportunity to develop future product families based on their innovative technologies.

The two programs that have the most support from the military and Congress are the Boeing C-17 Transport and F-135 Joint Strike Fighter (JSF). The C-17 will remain the major source of revenue for DAS's military sales in 2003 and beyond, and the JSF, which is touted as the program of the century, is also expected to generate significant revenue in the future.

We offer custom solutions that range from simple parts to complicated assemblies.

As Ducommun continues to expand its services, we are able to supply our customers with the best value solution. Instead of supplying only build-to-print parts for our customers, we are also able to provide them with subsystems and subassemblies, requiring increased engineering content. By offering this range of services, Ducommun is able to establish long-term contracts with larger, more sophisticated companies.


The F-15 Eagle


The Phalanx


702 Satellite

Ducommun Technologies

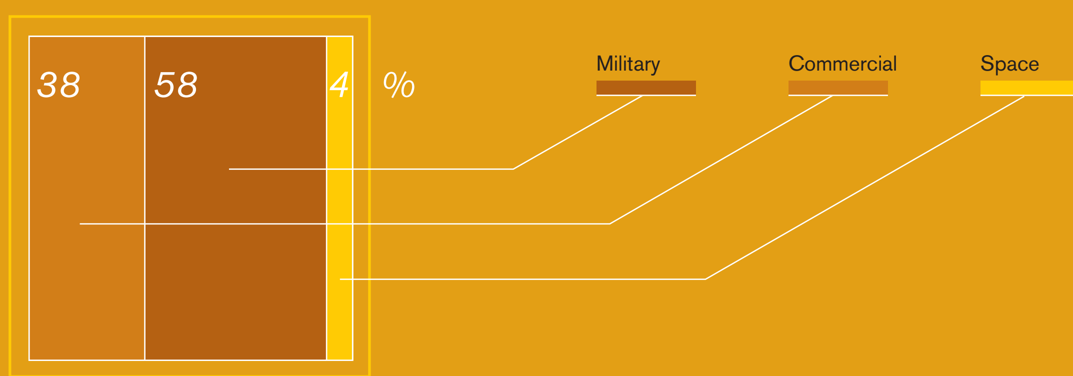
Ducommun Technologies (DT) designs, engineers, manufactures and integrates complex mechanical and electromechanical subsystems, as well as a variety of components such as illuminated pushbuttons and indicators, keyboards and panels, high-reliability microwave switches, RF filters, fractional horsepower motors, resolvers and aircraft instrumentation for the space, defense, electronics and commercial aviation industries.

DT is comprised of three operating locations in Arizona and California. The combined capabilities of the three locations allow the company to provide integrated, system level solutions, including complex mechanical enclosures, complex harnessing, human interface devices and electronics. Customers employ Ducommun Technologies equipment in aircraft cockpits and equipment bays, onboard ships and ground vehicles, in satellite payloads and many other severe environment applications.

DT enjoys a good and growing reputation for supplier excellence, which demands exemplary on-time delivery and product quality. The locations, through scrupulous attention to performance, have been awarded distinguished supplier ratings by key customers. DT can point with pride to a Silver rating from Boeing, a Star Supplier rating from Lockheed, a Blue rating from Northrop Grumman and numerous perfect performance scores from other customers. Customers can also take advantage of SDB credits on major DoD programs by involving Ducommun Technologies' facility in Fort Defiance, Arizona. The facility is located on the Navajo Nation and employs a Native American work force. By law, this allows it to extend SDB credits while providing premier performance, with the backing of a NYSE parent company.

The combination of broad capabilities and excellence in performance is providing many new opportunities for the combined locations. DT expects to grow through access to more complex programs and strength in the defense markets that make up most of its revenues.

2002 Sales by Market



Ducommun Incorporated

Ducommun has a strong presence in both the military and commercial markets which enables it to withstand cyclical downturns in either market. The current cyclical downturn of the commercial aircraft market was deepened by the events of September 11th and has resulted in Ducommun's 2002 sales mix being much more heavily weighted in military than in prior years. When the commercial market rebounds, Ducommun's sales mix should become more equally weighted in these two markets.

Corporate Information

Board of Directors

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

Norman A. Barkeley
Chairman Emeritus

H. Frederick Christie
Consultant; Retired President and Chief Executive Officer, The Mission Group (subsidiary of SCEcorp)

Eugene P. Conese, Jr.
President and Chief Executive Officer, Aero Capital LLC

Ralph D. Crosby, Jr.
Chairman and Chief Executive Officer, EADS North America

Robert C. Ducommun
Management Consultant

Kevin S. Moore
President, The Clark Estates, Inc.

Thomas P. Mullaney
Business Advisor

Officers

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

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

Michael W. Williams
Vice President, Corporate Development

Samuel D. Williams
Vice President and Controller

Business Units

Paul L. Graham
President, Ducommun Technologies

Anthony J. Reardon
President, Ducommun AeroStructures

Common Stock

Ducommun Incorporated common stock is listed on the New York Stock Exchange (Symbol DCO)

Registrar & Transfer Agent

Mellon Investor Services LLC

Overpeck Centre
85 Challenger Road
Ridgefield Park, NJ 07660
800.522.6645
www.melloninvestor.com

World Wide Website

www.ducommun.com

Ducommun Incorporated

111 West Ocean Boulevard, Suite 900
Long Beach, CA 90802
Telephone: 562.624.0800
www.ducommun.com

DCO
Listed
NYSE
THE NEW YORK STOCK EXCHANGE