SECURITIES AND EXCHANGE COMMISSION

FORM 10KSB40

Annual and transition reports of small business issuers [Section 13 or 15(d), S-B Item 405]

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
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FILER

REINHOLD INDUSTRIES INC/DE/

CIK:**862255**| IRS No.: **132596288** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10KSB40** | Act: **34** | File No.: **000-18434** | Film No.: **99573441**
SIC: **3728** Aircraft parts & auxiliary equipment, nec

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SANTA FE SPRINGS CA
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-KSB

(Mark One)

x ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM

to

COMMISSION FILE NUMBER 0-18434

REINHOLD INDUSTRIES, INC.

(NAME OF SMALL BUSINESS ISSUER IN ITS CHARTER)

Delaware	13-2596288
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
12827 East Imperial Hwy, Santa Fe Springs, California	90670
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

Issuer's telephone number, including area code (562) 944-3281

Securities registered under Section 12(b) of the Exchange Act: NONE

Securities registered under Section 12(g) of the Exchange Act:

CLASS A COMMON STOCK, PAR VALUE $.01
CLASS B COMMON STOCK, PAR VALUE $.01

(TITLE OF CLASS)

CHECK WHETHER THE ISSUER (1) FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(d) OF THE EXCHANGE ACT DURING THE PAST 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

CHECK IF DISCLOSURE OF DELINQUENT FILERS PURSUANT TO ITEM 405 OF REGULATION S-B IS NOT CONTAINED IN THIS FORM, AND NO DISCLOSURE WILL 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-KSB OR ANY AMENDMENT TO THIS FORM 10-KSB. X

ISSUER'S REVENUES FOR ITS MOST RECENT FISCAL YEAR WERE $25,996,000

STATE THE AGGREGATE MARKET VALUE OF THE VOTING STOCK HELD BY NONAFFILIATES OF THE REGISTRANT. THE AGGREGATE MARKET VALUE SHALL BE COMPUTED BY REFERENCE TO THE PRICE AT WHICH THE STOCK WAS SOLD, OR THE AVERAGE BID AND ASKED PRICES OF SUCH STOCK, AS OF A SPECIFIED DATE WITHIN 60 DAYS.

$6,607,953 as of March 19, 1999 Class A Common Stock

CHECK WHETHER THE ISSUER HAS FILED ALL DOCUMENTS AND REPORTS REQUIRED TO BE FILED BY SECTION 12, 13 OR 15(d) OF THE EXCHANGE ACT AFTER THE DISTRIBUTION OF SECURITIES UNDER A PLAN CONFIRMED BY A COURT. YES X NO

STATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S CLASSES OF COMMON EQUITY AS OF THE LATEST PRACTICABLE DATE:
Class A Common Stock - par value $.01 per share - 978,956 as of March 19, 1999
Class B Common Stock - par value $.01 per share - 1,020,000 as of March 19, 1999

DOCUMENTS INCORPORATED BY REFERENCE

IF THE FOLLOWING DOCUMENTS ARE INCORPORATED BY REFERENCE, BRIEFLY DESCRIBE THEM AND IDENTIFY THE PART OF THE FORM 10-KSB (E.G., PART I, PART II, ETC.) INTO WHICH THE DOCUMENT IS INCORPORATED: (1) ANY ANNUAL REPORT TO SECURITY HOLDERS; (2) ANY PROXY OR INFORMATION STATEMENT; AND (3) ANY PROSPECTUS FILED PURSUANT TO RULE 424(b) OR (c) UNDER THE SECURITIES ACT OF 1933. THE LISTED DOCUMENTS SHOULD BE CLEARLY DESCRIBED FOR IDENTIFICATION PURPOSES.

Reinhold Industries, Inc. 1998 Annual Report to Stockholders - Parts I, II
Reinhold Industries, Inc. Proxy Statement - Part III

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT
YES ; NO X

PART I

Item 1. DESCRIPTION OF BUSINESS

a. Business Development

On December 3, 1993, Keene Corporation ("Keene") filed a voluntary petition for relief under Chapter 11 of Title 11 of the United State Code (the "Bankruptcy Code") in the United States Bankruptcy Court in the Southern District of New York (the "Bankruptcy Court"), Case No. 93-B-46090 (SMB). Keene's Chapter 11 filing came as a direct result of tens of thousands of asbestos-related lawsuits which named Keene as a party.

On March 28, 1995, Keene, the Official Committee of Unsecured Creditors' and the Legal Representative for Future Claimants entered into a stipulation to file a consensual plan of reorganization that would resolve Keene's Chapter 11 Case.

On March 11, 1996, the Bankruptcy Court approved the Second Amended Disclosure Statement regarding Keene's Fourth Amended Plan of Reorganization for solicitation.

On June 12, 1996, the Bankruptcy Court and the U.S. District Court held a confirmation hearing on Keene's Fourth Amended Plan of Reorganization, as modified (the "Plan"). The Plan was confirmed by the U.S. District Court by order entered on June 14, 1996.

On July 31, 1996, Keene's Fourth Amended Plan of Reorganization, as modified, became effective (the "Effective Date"). On the Effective Date, Keene's wholly-owned subsidiary, Reinhold Industries, Inc. ("Reinhold") was merged into and with Keene, with Keene becoming the surviving entity. Pursuant to the merger, all the issued and outstanding capital stock of Reinhold was canceled. Keene, as the surviving corporation of the merger, was renamed Reinhold. On the Effective Date, Reinhold issued 1,998,956 shares of Common Stock, of which 1,020,000 shares of Class B Common Stock were issued to the Trustees of a Creditors' Trust (the "Creditors' Trust") set up to administer Keene's asbestos claims. The remaining 978,956 shares, identified as Class A Common Stock, were issued to Keene's former shareholders as of record date, June 30, 1996. All of Keene's previously outstanding Common Stock was canceled.

Keene was incorporated in Delaware in 1967, reincorporated in New York in 1979 and reincorporated in Delaware in 1990. The Common Stock of Keene was listed on the New York Stock Exchange from 1972 to 1981. In 1981, Keene became a direct wholly owned subsidiary of Bairnco Corporation ("Bairnco") pursuant to a corporate restructuring. On August 6, 1990, 100% of Keene's stock was distributed to the shareholders of Bairnco.

Keene's asbestos-related liabilities stem entirely from its 1968 purchase of Baldwin-Ehret-Hill, Inc. ("BEH"), a manufacturer of acoustical ceilings, ventilation systems, and thermal insulation products. Over the past 20 years, Keene spent over $530 million (approximately 75% of which has been in the form of insurance proceeds) in connection with Asbestos-Related Claims asserted against Keene on behalf of tens of thousands of individuals and entities, all stemming from Keene's ownership, for a period of approximately five years, of BEH.

By the end of 1992, Keene had exhausted substantially all of its insurance coverage for Asbestos-Related Personal Injury Claims and by 1993, Keene had exhausted substantially all of its insurance related to Asbestos In Building Claims. Therefore, Keene had to bear directly the costs of all Claims.

In May 1993, Keene filed a limited fund, mandatory settlement action ("Limited Fund Action"). This Limited Fund Action sought a declaration that Keene had only limited funds available to resolve the numerous Asbestos-Related Claims against it, including Asbestos-Related Claims that might be filed in the future.

In November 1993, Keene reached an agreement in principle with the lawyers representing each subclass with respect to the allocation of Keene's remaining assets. However, on December 1, 1993, the Court of Appeals for the Second Circuit issued a decision dismissing the Limited Fund Action on the grounds of lack of subject matter jurisdiction.

In light of this decision, on December 3, 1993, Keene filed its voluntary petition for relief under Chapter 11.

In 1984, Keene acquired the assets, and assumed certain liabilities, of Reinhold, which was operated as a division until October 1990, when it was incorporated in Delaware as a wholly owned subsidiary. Reinhold, which was originally founded in 1928 as a custom molder of thermosetting and thermoplastic materials, currently operates in Santa Fe Springs, California, Camarillo, California and Coventry, England. Today, Reinhold manufactures advanced composite components and sheet molding compounds for a variety of aerospace, defense and commercial applications. In March 1992, to strengthen its market position in defense and aerospace markets, Reinhold acquired 100% of the outstanding common stock of Reynolds & Taylor, Inc. ("R & T"), a California corporation and manufacturer of structural composite components serving, primarily, the defense and aerospace markets. R & T's operations were consolidated into Reinhold's existing facility. In May 1994, Reinhold acquired CompositAir. CompositAir is a niche manufacturer of commercial composite aircraft seatbacks and other commercial products. CompositAir operates in both Camarillo, California and Santa Fe Springs, California.

On April 24, 1998, NP Aerospace Limited ("NP Aerospace"), a wholly owned subsidiary of Reinhold, purchased from Courtaulds Aerospace Limited ("CAL"), a U.K. Corporation, which is a wholly owned subsidiary of Courtaulds plc, a U.K. Corporation, certain assets (consisting of Accounts Receivable, Inventory, Machinery and Equipment, Land and Intellectual Property and Patents) and assumed certain liabilities of the Ballistic and Performance Composites Division of CAL. Reinhold, as the Guarantor for NP Aerospace, became obligated to pay to Courtaulds plc net consideration consisting of (a) Two Million Two Hundred Thousand pounds sterling ((pound sterling) 2,200,000) ($3,706,340 based on an exchange rate of $1.6847) cash on the Closing Date and (b) within 120 days following the end of each of the calendar years 1998 through 2001, a cash amount equal to 25% of the Pre-tax Profit on the light armored vehicle business only, the maximum aggregate amount of which shall not exceed Twenty Million pounds sterling ((pound sterling) 20,000,000). Additional payments will be capitalized as part of the purchase price, when and if earned.

The acquisition has been accounted for by the purchase method and, accordingly, the results of operations of NP Aerospace have been included in the consolidated financial statements from April 24, 1998.

Additional information on the NP Aerospace acquisition is set forth in Note 2 to the Consolidated Financial Statements on page 22 and "Management Discussion and Analysis of Financial Condition and Results of Operations " on page 15 of Reinhold's 1998 Annual Report to Stockholders, which is incorporated herein by reference.

b. Business of Issuer

Products

Reinhold's operations consist of the manufacturing of advanced composite components and sheet molding compounds for a variety of aerospace, defense and commercial applications. Reinhold's principal products include ablative composite components and structural composite components. Ablative composites are used for their heat absorbing properties and structural composites are used where lightness, strength and complex shapes are essential. Composites have certain properties superior to metals and are formed into components to replace metal components in applications where light weight, strength, heat absorption, corrosion resistance and complex shapes are required, such as rocket nozzles, lighting fixture housings, small water filtration system housings and aircraft seating frames.

Additional information on operating segments is set forth in Note 8 to the Consolidated Financial Statements on page 29 and "Management Discussion and Analysis of Financial Condition and Results of Operations " on page 15 of Reinhold's 1998 Annual Report to Stockholders, which is incorporated herein by reference.

Distribution

Products are marketed by company sales personnel and sales representatives in the United States and Europe.

Competition

Reinhold competes with many companies in the sale of ablative and structural composite products. The markets served by Reinhold are specialized and competitive. Several of its competitors have greater financial, technical and operating resources than Reinhold. Although Reinhold has competed

successfully in the critical areas of price, product performance and engineering support services, there is no assurance that Reinhold will be able to continue to manufacture and sell its products profitably in competitive markets.

Because a substantial portion of Reinhold's business has been as a supplier to government contractors, Reinhold has developed a limited number of customers with which it does significant amounts of business. Sales to six major customers constituted approximately 66% of the Company's net sales in 1998. Reinhold's future prospects will depend on the continued business of such customers and on Reinhold's continued status as a qualified supplier to such customers. Reinhold's success also depends on developing additional commercial composite products to replace heavier and shape restrictive metals-based products.

With the purchase of CompositAir in 1994 and NP Aerospace in 1998, Reinhold expanded its development and sale of composite components into the commercial aircraft seatbacks market. The market for aircraft seating is expanding. Reinhold, through its operating segments, CompositAir and NP Aerospace is a world leader in producing commercial composite aircraft seatback structures. With the seatback market expanding at a rate of 10% - 15% per year, composites are enjoying an increased acceptance by the airlines. Due to this acceptance, we expect an increase in competition in the future.

Raw Materials and Purchased Components

The principal raw materials for composite fabrication include pre-impregnated fiber cloth (made of carbon, graphite, aramid or fiberglass fibers which have been heat-treated), molding compounds, resins (phenolic and epoxy), hardware, adhesives and solvents. Occasionally, certain raw materials and parts are supplied by customers for incorporation into the finished product. Reinhold's principal supplier of raw materials is Cytec Fiberite, Inc. and Newport Adhesives and Composites, Inc.

No significant supply problems have been encountered in recent years. Reinhold uses PAN (polyacrylonitrile) and rayon in the manufacture of composites. However, the supply of rayon used to make carbon fiber cloth typically used in ablative composites is highly dependent upon the qualification of the rayon supplier by the United States Department of Defense. North American Rayon has ceased production of the rayon used in Reinhold's ablative products. This could have an effect on the rayon supply in the coming years. Also, a European company has become the world's sole supplier of graphite and carbon, which is used in Reinhold's ablative applications. At this time, Reinhold can not determine if there will be any significant impact on price or supply.

Environmental Matters

Reinhold's manufacturing facilities are subject to regulation by federal, state and local environmental agencies. Management believes all facilities meet or exceed all applicable environmental requirements in all material respects and believes that continued compliance will not materially affect capital expenditures, earnings or competitive position..

Patents and Trademarks

Reinhold owned one patent registered with the United States Patent and Trademark Office for the "Method of Making Perforated Articles" (U.S. Patent No. 5,252,279). The patent expired October 1997 and was not renewed. Reinhold does not hold any registered trademarks.

Research and Development

Research and Development expenditures were approximately $158,000 and $145,000 for the years ended December 31, 1998 and 1997, respectively.

Employees

At December 31, 1998, Reinhold had 266 full-time employees and 3 part-time employees. Of these employees, 241 (239 full-time and 2 part-time) were employed in manufacturing and 28 (27 full-time and 1 part-time) in administration, product development and sales. Approximately 29% of the personnel are based at Reinhold's Santa Fe Springs, California facility, approximately 23% are based in Camarillo, California and approximately 48% are based at NP Aerospace located in Coventry, England. Approximately 70 of the employees in Coventry, England are represented by a labor union. Reinhold believes its workforce to be relatively stable and considers its employee relations to be excellent.

Additional information is set forth in Note 1 to the Consolidated Financial Statements on page 22 and "Management Discussion and Analysis of Financial Condition and Results of Operations" on page 15 of Reinhold's 1998 Annual Report to Stockholders, which is incorporated herein by reference.

Item 2. DESCRIPTION OF PROPERTY

<TABLE>

The following chart lists the principal locations and size of Reinhold's facilities and indicates whether the property is owned or leased and, if leased, the lease expiration.

<CAPTION>

LOCATION	USE	SIZE	LEASED OR OWNED LEASE EXPIRATION
Santa Fe Springs, CA	Administration and Manufacturing	113,000 sq. ft.	Leased (Expires 2000)
Camarillo, CA	Manufacturing	18,000 sq. ft.	Leased (Expires 2002)
Coventry, England	Administrative and Manufacturing	80,000 sq. ft	Own
Coventry, England	Land	2.7 acres	Own
Rancho Cucamonga, CA	Undeveloped Land	33 acres	Own

</TABLE>

Facilities are generally suitable and adequate for current needs of the Company. Reinhold is presently in negotiations with its Santa Fe Springs landlord relating to the improvement, expansion and upgrade of its present facility to meet the Company's future needs. Reinhold believes its facilities are utilized consistent with economic conditions and the requirements of its operations.

Item 3. LEGAL PROCEEDINGS

Reinhold is a defendant in a number of other legal actions arising from the normal course of business. Management believes that these actions are not meritorious and will not have a material adverse effect on the financial position of Reinhold.

As part of the confirmed Plan, Reinhold received the benefit of a "Permanent Channeling Injunction". This Permanent Channeling Injunction bars asbestos-related claims and demands against Reinhold, as the reorganized company under the Plan, and channels those claims and demands to the Creditors' Trust. The Permanent Channeling Injunction also gives Reinhold the benefit of protection in the form of an indemnification by the Creditors' Trust for Keene's obligations to indemnify its Officers and Directors under Keene's Certificate of Incorporation, dated April 12, 1990, and Section 145 of Delaware General Corporation Law, for asbestos-related claims and demands asserted by or on behalf of a holder of an asbestos-related claim or demand against Keene. Pursuant to the Permanent Channeling Injunction, on or after the Effective Date, any person or entity who holds or may hold an asbestos-related claim or demand against Keene will be forever stayed, restrained, and enjoined from taking certain actions for the purpose of, directly or indirectly, collecting, recovering, or receiving payment of, on, or with respect to such asbestos-related claims or demands against Reinhold.

The payments and distributions made to the Creditors' Trust pursuant to the terms and conditions of the Plan were made in complete satisfaction, release and discharge of all claims and demands against, liabilities of, liens on, obligations of and interest in Keene and Reinhold as the reorganized company under the Plan.

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

None

PART II

Item 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

a. & c. Data regarding the market price of Reinhold's common stock is included in the "Selected Financial Data" on page 1 and under Stockholder Information on the back inside cover of Reinhold's 1998 Annual Report to Stockholders, which is incorporated herein by reference. Reinhold's common stock is traded on the NASD OTC Bulletin Board under the symbol RNHDA. The stock price quotations incorporated herein reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions. No dividends were paid in 1998 or 1997.

b. The approximate number of common equity security holders is as follows:

Title of Class	Approximate Number of Holders of Record as of March 19, 1999
Class A Common Stock, par value $.01 per share	1,741
Class B Common Stock, par value $.01 per share	1

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Reference is made to the "Management Discussion and Analysis of Financial Condition and Results of Operations" on page 15 of Reinhold's 1998 Annual Report to Stockholders, which is incorporated herein by reference.

Item 7. FINANCIAL STATEMENTS

Reference is made to the Independent Auditors' Report and to the Consolidated Financial Statements included on page 31 and pages 17 through 21 and Notes to Consolidated Financial Statements on pages 22 through 30 of Reinhold's 1998 Annual Report to Stockholders, which is incorporated herein by reference. Financial data schedules are included in Part IV of this filing.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

Item 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

The information required with respect to directors of Reinhold is included in the definitive Proxy Statement for the 1999 Annual Meeting of Stockholders of Reinhold, to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year and is incorporated herein by reference.
<TABLE>

EXECUTIVE OFFICERS OF THE REGISTRANT
<CAPTION>

Name	Age	Title	
<S>	<C>	<C>	<C>
Michael T. Furry	61	President and CEO	Mr. Furry has served as president of Reinhold Industries, Inc. since June 1986 and became President and Chief Executive Officer of the Reorganized Company on the Effective Date. Mr. Furry became a Director of Keene (the Predecessor Company) in April 1990 and Reinhold Industries, Inc. upon its incorporation in October 1990. From April 1976 to June 1986, Mr. Furry was Vice President and General Manager of the composites division of Reynolds & Taylor, Inc.

Brett R. Meinsen	39	Vice President-Finance and Administration Treasurer and Secretary	Mr. Meinsen became Vice President - Finance and Administration in June 1997. Prior to coming to Reinhold, from 1986 until January 1997, Mr. Meinsen worked as the Director of Finance and Administration, Manager of Financial Analysis and a senior financial analyst at Philips Medical Systems.

</TABLE>

Item 10. EXECUTIVE COMPENSATION

The information required by Item 10 is included in the definitive Proxy Statement for the 1999 Annual Meeting of Stockholders of Reinhold, to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year and is incorporated herein by reference.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by Item 11 is included in the definitive Proxy Statement for the 1999 Annual Meeting of Stockholders of Reinhold, to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year and is incorporated herein by reference.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 12 is included in the definitive Proxy Statement for the 1999 Annual Meeting of Stockholders of Reinhold, to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year and is incorporated herein by reference.

PART IV

Item 13. EXHIBITS AND REPORTS ON FORM 8-K

a) EXHIBITS
<TABLE>
<CAPTION>

	Description	Page No.*	Incorporated by Reference to
<S>	<C>	<C>	<C>
2.1	Keene Corporation's Fourth Amended Plan of Reorganization under Chapter 11 of the Bankruptcy Code dated March 11, 1996		Exhibit 99(a) to Keene Corporation's Form 8-K filed with the Commission on June 28, 1996.
2.2	Motion to Approve Modifications to the Keene Corporation Fourth Amended Plan of Reorganization Under Chapter 11 of the Bankruptcy Code dated June 12, 1996		Exhibit 99(b) to Keene Corporation's Form 8-K filed with the Commission on June 28, 1996.
2.3	Finding of Fact, Conclusions of Law and Order Confirming Keene Corporation's Fourth Amended Plan of Reorganization under Chapter 11 of Bankruptcy Code, as modified, entered June 14, 1996.		Exhibit 99(c) to Keene Corporation's Form 8-K filed with the Commission on the June 28, 1996.
3.1	Amended and Restated Certificate of Incorporation of Reinhold Industries, Inc.		Exhibit 99(a), Exhibit A to the Plan, to Keene Corporation's Form 8-K filed with the

Commission on June 28, 1996.

	Description	Page No.*	Incorporated by Reference to
3.2	Amended and Restated By-Laws of Reinhold Industries, Inc. (Formerly Keene Corporation)		Exhibit 99(a), Exhibit B to the Plan, to Keene Corporation's Form 8-K filed with the Commission on June 28, 1996.
3.3	Certificate of Merger of Reinhold Industries, Inc. into Keene Corporation		Exhibit 99(a), Exhibit C to the Plan, to Keene Corporation's Form 8-K filed with the Commission on June 28, 1996.
4.1	Share Authorization Agreement		Exhibit 99(a), Exhibit H to the Plan, to Keene Corporation's Form 8-K filed with the Commission on June 28, 1996.
4.2	Registration Rights Agreement		Exhibit 99(a), Exhibit G to the Plan, to Keene Corporation's Form 8-K filed with the Commission on June 28, 1996.
9.1	Creditors' Trust Agreement		Exhibit 99(a), Exhibit D to the Plan, to Keene Corporation's Form 8-K filed with the Commission on June 28, 1996.

	Description	Page No.*	Incorporated by Reference to
10.1	Reinhold Industries, Inc. Stock Incentive Plan		Form S-8, filed with the Commission on November 10, 1997.
10.2	Reinhold Management Incentive Compensation Plan		Page 34 to Keene's (Predecessor Co.) Form 10, dated April 4, 1990, as amended by Form 8, Exhibit 10(e), dated July 19, 1990
10.3	Lease, dated January 4, 1990 by and between Imperial Industrial Properties, Inc. and Reinhold Industries		Exhibit 10(b) to Keene's Form 10 dated April 4, 1990, as amended by Form 8, dated July 19, 1990
10.4	Reinhold Industries, Inc. Retirement Plan (formerly Keene Retirement Plan)		Exhibit 10(i) to Keene's Form 10, dated April 14,1990, as amended by Form 8, dated July 19, 1990

10.5	Asset Sale Agreement dated April 17, 1998 by and between NP Aerospace Limited (Purchaser), Reinhold Industries, Inc. (Guarantor) and Courtaulds plc (Vendor) relating to the purchase of certain assets and assumption of certain liabilities of the Ballistic and Performance Composites Division of Courtaulds Aerospace Ltd.		Exhibit 2 to Reinhold's 8-K/A, dated April 17,1998 filed with the Commission on June 30, 1998.
13	Annual Report to Stock-holders		

	Description	Page No.*	Incorporated by Reference to
20.1	New Keene Credit Facility		Exhibit 99(a), Exhibit F to the Plan, to Keene Corporation's Form 8-K filed with the Commission on June 28, 1996.
23.1	Consent of Independent Auditors		
27	Financial Data Schedules		

<FN>

* Page reference is to sequentially numbered copy.
</FN>
</TABLE>

b) REPORTS ON FORM 8-K

None

SIGNATURES

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

REINHOLD INDUSTRIES, INC.
Registrant

Date: March 26, 1999

By:/s/ Brett R. Meinsen
Brett R. Meinsen
Vice President -
Finance & Administration
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report is signed below by the following persons on behalf of Reinhold and in the capacities and on the date indicated.

/s/ Michael T. Furry — March 26, 1999
Michael T. Furry- President and Director
(Principal Executive Officer)

/s/ Lawrence H. Diamond — March 26, 1999

Lawrence H. Diamond- Chairman

/s/ Robert B. Steinberg March 26, 1999

Robert B. Steinberg- Director

Reinhold Industries, Inc.
1998 Annual Report

for the next millennium
a global vision

Picture of Board of Directors

Reinhold Industries Board of Directors (left to right): Chairman of the Board Lawrence H. Diamond, President and Chief Executive Officer Michael T. Furry, and Director Robert B. Steinberg.

replacing metal
with advanced composites
where light weight,
corrosion resistance,
or complex shapes are required

Reinhold Industries, Inc. and Subsidiary
<TABLE>
<CAPTION>

Selected Financial Data

		1998	1997	1996	1995	1994
Summary of operations (in thousands)						
<S>	<C>		<C>	<C>	<C>	<C>
Net sales	$	25,996	16,232	13,120	11,122	14,824
Gross profit	$	6,503	4,699	3,046	1,728	4,579
Operating income (loss)	$	2,196	1,595	17	(1,832)	1,628
Interest (expense) income, net	$	(17)	103	1,159	2,202	2,108
Reorganization expenses	$	-	-	3,139	9,492	11,230
Net income (loss)	$	2,138	1,647	(2,198)	(8,983)	(7,792)
Year end position (in thousands)						
Cash and marketable securities	$	3,622	3,169	2,522	34,660	42,833
Working capital	$	8,961	6,314	3,602	39,105	48,682
Net property and equipment	$	5,476	4,526	5,158	5,607	6,201
Total assets	$	20,215	13,215	12,540	64,705	75,321
Long-term debt	$	1,550	-	-	-	-
Long-term liabilities	$	4,124	2,438	4,879	4,733	4,259
Stockholder equity	$	9,698	9,340	5,719	41,990	51,251
Per share data Net income (loss):						
Basic & diluted (Note 1)	$	1.07	0.82	N.M.*	(0.86)	(0.75)
Stockholders' equity	$	4.85	4.67	2.86	4.02	4.91
Market price range: (Note 2)						
High	$	9 1/4	10	4 1/8	N.M.*	N.M.*
Low	$	5 1/2	2 7/8	3 1/4	N.M.*	N.M.*
Other data (in thousands except stockholder & employee data)						
Orders on hand	$	16,194	5,989	4,935	6,635	3,514
Average shares outstanding		1,999	1,999	Note 1	10,442	10,442
Average number of common stockholders		1,808	1,951	2,099	2,396	2,434
Average number of employees		220	124	105	104	119

<FN>

Note 1: Keene emerged from bankruptcy on July 31, 1996. Reinhold was merged into and with Keene, with the surviving company being renamed Reinhold Industries, Inc. The outstanding common stock of Keene on July 31, 1996, 10,746,235 shares, was canceled and replaced by 978,956 shares of Class A Common Stock and 1,020,000 shares of Class B Common Stock. Therefore, the earnings per share and average shares outstanding information is not meaningful.

Note 2: The historical market value of the old Keene stock (the predecessor company) is not meaningful since the company has been recapitalized as of July 31, 1996.

See management analysis and Note 1 to the consolidated financial statements for discussion of Chapter 11 bankruptcy proceedings and the Effective Date of the Fourth Amended Plan of Reorganization.

*N.M. - Not Meaningful
</FN>
</TABLE>

Reinhold Industries, Inc. and Subsidiary

Picture of Michael T. Furry

Michael T. Furry
President and CEO

To Our Stockholders

ACQUISITION SYNERGY In 1998, Reinhold added significantly to its sales, manufacturing skill base, and profitability through the purchase of certain assets and liabilities of Courtaulds Aerospace in the United Kingdom. Following its acquisition in April, this new business unit was re-named NP Aerospace.

The acquisition of Courtaulds was first pursued because of our mutual presence in the aircraft seating business. In the process of due diligence, a much greater potential for synergism than first appeared was uncovered. We found a skilled work force and latent leadership ready to be absorbed in the Reinhold culture of an enlightened work ethic, a sense of controlled urgency, and targeted financial goals. They needed no more motivation than a well-articulated vision of our combined possibilities.

While our financial performance with NP Aerospace for the first eight months has exceeded our forecast, the primary benefits of the acquisition will be long range: the broadening of our market base and the illumination of ways to economize in manufacturing and distribution. Already the fusion of technology in combining two unique processes related to seat back structure manufacturing has resulted in the realization of our goal of a better product at a lower cost. We expect this hybrid process to have a positive impact on production as early as 1999.

A new niche market that NP Aerospace has brought to the Reinhold products portfolio is ballistic protection products, including military helmets for ground forces and air crews, armored vehicles, body armor, and ballistic shields.

NP Aerospace also occupies a niche in the market for our structural composite family of products with medical radiation therapy tables, and products for the trade molding market for the lighting, communications, United Kingdom defense, and automotive after-market industries.

REINHOLD IN THE GLOBAL MARKETPLACE The effect of this acquisition is that Reinhold has become a global company. The prospect of a broad base of diverse industries being served by an accomplished assembly of composites manufacturing experts has become a reality.

Wherever lighter weight, corrosion resistance, or a more complex shape of a manufactured component is needed, a change from metal to advanced composites may be indicated. Where it is, there is both need and opportunity for Reinhold.

Reinhold revenue is currently derived from four business units: Aerospace (USA), Commercial (USA), CompositAir (USA), and NP Aerospace (UK).

Aerospace products are made of structural and ablative (heat absorbing) composites and are related to the solid rocket propulsion industry. Most of them are sold directly or indirectly to the United States Defense Department. With few exceptions, these products cannot be sold outside the United States.

The Commercial business unit serves a regional swimming pool filter customer, the USA lighting market, and various other commercial customers. All products are made using Reinhold manufactured Sheet Molding Compound (SMC) as the molding raw material. This unit operates in highly competitive markets where freight costs are significant.

The opportunity for international sales for these products is slight but some sales could result from duplicating their manufacture at the NP Aerospace plant in the United Kingdom.

The strategy of acquiring NP Aerospace to become a global supplier of aircraft seat backs has already begun to have a positive impact on our business. In 1997, CompositAir (USA) secured a major contract from a European manufacturer of commercial aircraft seating. The contract was completed satisfactorily, but follow-up business was lost to an "in-country" supplier because of our excessive freight costs and logistic difficulties. Now, that business has been recaptured because of the combined design and engineering skills of CompositAir and the manufacturing capability and proximity of NP Aerospace.

Composite commercial seat back structures will continue to provide opportunity for expansion. NP Aerospace has established a good reputation in the United Kingdom serving companies in England and Northern Ireland. We have expanded our marketing staff for seating products to secure business from other European manufacturers. These sales and marketing efforts are designed to highlight the benefits of using composites to replace aluminum for seat back structures because of lower weight and more freedom for designers to utilize shapes that address ergonomic considerations.

NP Aerospace has a long-standing international presence as a result of their ballistic protection products. There is a significant international demand for these products outside of the United Kingdom. They are sold to other European countries, Africa, and Asia. We expect sales of ballistic and specialty helmets to represent a major portion of our business for the next several years.

In the near term, the synergy of the CompositAir and NP Aerospace business units in the engineering, manufacturing, and marketing of composite seat backs will provide the most tangible benefits of our global presence.

PERFORMANCE IN 1998 Net sales increased by 60%, from $16.2 million in 1997 to $26.0 million in 1998. The increase is attributable to the acquisition of NP Aerospace ($8.9 million), and increased sales by Compositair ($0.6 million) and Commercial ($0.5 million), offset by lower Aerospace sales ($0.2 million). Backlog increased 170%, from $6.0 million in 1997 to $16.2 million in 1998, due mainly to the NP Aerospace acquisition.

Gross profit increased from $4.7 million in 1997 to $6.5 million in 1998 but dropped as a percentage of sales from 28.9% in 1997 to 25.0% in 1998. The percentage decrease primarily reflects lower sales by Aerospace(USA), whose products have comparatively higher gross margins, and the inclusion of sales by NP Aerospace, a lower gross margin business. There were also production inefficiencies at CompositAir and lower positive material variances for Aerospace products than in 1997.

Selling, general and administrative expenses were $4.3 million in 1998 (16.6% of sales) compared with $3.1 million in 1997 (19.1% of sales). The dollar increase is primarily attributable to added headcount and the one-time costs of facilities consolidation at our new subsidiary in the United Kingdom.

Net income in 1998 was $2.1 million, $1.07 per share, compared with $1.6 million, $0.82 per share, in 1997.

During 1997, the Company's Board of Directors changed its investment strategy related to the Retirement Plan Trust. As a result, the market value of the portfolio increased by $2.0 million, thereby reducing the excess pension liability and increasing the company's net worth by $2.0 million. In 1998, the impact of a drop in long-term interest rates used in calculating our Plan funding requirements as well as fluctuations in the stock market decreased both portfolio value and the Company net worth by $1.7 million.

PROJECTIONS FOR 1999 AND BEYOND Sales and profit growth for the past two years have been good. We believe that the trend will continue in CY1999. Such results depend on committed people and have been realized because of a team of workers and management who embrace the Reinhold philosophy of fewer people working harder and smarter in the pursuit of excellence.

In 1998 we doubled our headcount with the acquisition of NP Aerospace. Our new teammates have shown early enthusiasm for the Reinhold philosophy. Our challenge will be to attract leaders who will enable us to continue double-digit sales and profit growth. Unfortunately, we lost two valued business unit managers in the US in 1998. We shall miss them, but we have promoted from within to replace them with good results.

All business units are on track for 1999. Aerospace activity is better than expected. CompositAir continues to ship at a record pace. We expect moderate sales growth and higher profits from the Commercial business unit, and early indications are good for NP Aerospace.

For the past decade, Reinhold has experienced a significant decline in Defense related business. In response, we have acquired companies that served markets and supplied products not indigenous to Reinhold. We have done this to increase sales and profit in lieu of the more costly and risky attempt to develop new products internally. In 1998, more than 70% of revenue was derived from acquired businesses.

Our strategy is to acquire companies most likely to benefit from our operational and financial management methods. Our Return On Capital Employed (ROCE) objective is above 15%. Our 1998 ROCE was 18%. Based on the results we have achieved in identifying, acquiring at the right price, and turning companies around, we will continue to seek acquisition candidates to expand Reinhold's presence in growing markets.

The support of our customers and suppliers and the commitment of our employees is indispensable to our continued success. To all of you, we express our thanks.

/s/ Michael T. Furry
Michael T. Furry
President and Chief Executive Officer
March 3, 1999

Picture

Combat helmet shell being removed from a mold.

NP Aerospace manufactures ballistic helmets for the U.K. Ministry of Defense, governments throughout Europe, and third world countries. Composite helmets offer light weight and ballistic protection superior to the metal helmets they replace.

Picture

helmets
uk

Tough light weight Helicopter Users Helmet being inspected.

Picture

aerospace
usa

Whether designing and manufacturing components to power communication satellites into orbit or building strong but lightweight aerospace structural components, Reinhold is helping to shape the 21st century.

Picture

The quality and attention to detail necessary for successful space components is present in every Reinhold process.

Reinhold Industries has been a pioneer in building components for space exploration since the earliest days of the U.S. space program. Reinhold built ablative (heat absorbing) hardware for satellite launch and propulsion systems such as Thor Delta and Castor II and IV as well as components for the manned Gemini and Apollo programs, including the LEM-D engine that took the Apollo astronauts from orbit to the surface of the moon. Today, Reinhold remains a leading producer of ablative components for various U.S. space and military applications.

Picture

Composite preform being prepared for molding operation.

Composite aircraft seatbacks offer superior performance and increased comfort over metal equivalents. We have produced over 120,000 composite seatbacks since the mid-eighties in a wide range of ergonomic designs. Our seatback structures are produced from multiple layers of high performance carbon and glass fabrics. These seatbacks offer light weight with significantly enhanced comfort for the passenger.

Picture

seatbacks
uk

Final inspection of seatbacks at Quality Audit station.

Picture

seatbacks

usa

Composite seat back frames for a regional class commercial aircraft are manufactured in a custom hydraulic molding press using precision matched metal mold tooling.

Picture

High volume production of a tourist class composite seat frame is performed in a CNC machining center equipped with a multiple tool changer and rapid feed cutting capabilities.

CompositAir has been in continuous production of composite seatback frames since 1980. Composites of epoxy, phenolic, or other resin systems, reinforced with carbon, aramid or glass fibers, are laminated into the complex shapes required by today's features-packed commercial aircraft seats. Our ability to manufacture these composite materials economically with preferred shapes and weight savings of 30% to 40% distinguish CompositAir's seatback products from the industry's standard aluminum frames.

Picture

"Rhinolite" SMC molded components can be bonded together to form complex water-tight enclosures for inground lighting applications.

Reinhold has been formulating and manufacturing sheet molding compounds (SMC) since the early 1970s. Reinhold produces SMC for sales to third parties and for internal use in our aerospace and commercial applications. Our "Rhinolite" line of SMC is specifically formulated to replace metals in corrosive, high temperature lighting applications.

Picture

lighting
usa

"Rhinolite" SMC, formulated and manufactured by Reinhold, blends high performance engineered resins, mineral fillers and structural fibers to meet demanding lighting industry requirements.

Picture

lighting
uk

Housing for motorway lighting application is inspected on a 5 axis measuring machine.

Reinhold Industries, Inc. and Subsidiary

Management's Discussion and Analysis of Financial Condition and Results of Operations

Reinhold is a manufacturer of advanced custom composite components and sheet molding compounds for a variety of applications in the United States and Europe. Reinhold derives revenues from the defense contract industry, the aerospace industry and other commercial industries.

1998 COMPARED WITH 1997 Backlog at December 31, 1998 was $16.2 million, up 170% from December 31, 1997, primarily due to the acquisition of NP Aerospace and an increase in aircraft seatback orders. In 1998, order input increased 72% to $29.8 million and net sales increased 60% to $26.0 million from $16.2 million in 1997, primarily reflecting sales of $8.9 million related to the April 1998 acquisition of NP Aerospace. Sales also increased $0.6 million for CompositAir products and $0.5 million for Commercial products. However, there was a $0.2 million decrease in sales for Aerospace products.

Gross profit margin decreased to 25.0% from 28.9%, reflecting lower Aerospace sales, whose products have comparatively higher gross margins, production inefficiencies at CompositAir and the inclusion of NP Aerospace activities (a lower total margin business). There were also lower positive material variances for Aerospace products in 1998 compared to 1997. Gross margin for Aerospace products decreased to 41.0% in 1998 from 43.9% in 1997. Gross profit margin for CompositAir products decreased to 19.5% in 1998 from 20.7% in 1997. Gross profit margin for Commercial products increased to 19.3% in 1998 from 11.1% in 1997. Gross profit margin for NP Aerospace products was 20.8% for the period from acquisition (April 24, 1998) through December 31, 1998.

In 1998, selling, general and administrative expenses were $4.3 million (16.6% of sales) compared with $3.1 million (19.1% of sales) in 1997. Although selling, general and administrative expenses were higher in 1998, these expenses decreased 2.5% as a percent of sales. Selling, general and administrative expense increases are primarily associated with the costs of the new foreign subsidiary, including the costs associated with the consolidation of facilities in the United Kingdom.

Income before income taxes increased to $2.2 million (8.4% of sales) from $1.7 million (10.5% of sales), reflecting lower gross margins and lower interest income offset by lower public compliance costs. Income before income taxes for Aerospace was $1.6 million (25.7% of sales) in 1998 compared with $2.0 million (31.2% of sales) in 1997. Income before income taxes for CompositAir was $0.4 million (4.8% of sales) in 1998 compared with $0.3 million (3.6% of sales) in 1997. Income before income taxes for Commercial was $0.1 million (3.6% of sales) in 1998 compared with a loss in 1997 of $0.2 million. Since acquisition, NP Aerospace contributed income before income taxes of $0.4 million, or 4.6% of sales.

In 1998, net interest expense was $0.01 million. Interest expense of $0.15 million was offset by interest income of $0.14 million. In 1997, interest income was $0.1 million. The average yield was 5.14% in 1998 compared with 5.12% in 1997.

A tax provision of $0.04 million was recorded in 1998 for the alternative minimum tax for federal and state tax expenses compared with a provision of $0.05 million in 1997. In 1998, the Company had pre-tax income of $2.2 million and was able to reduce income taxes by $0.4 million by utilizing a net operating loss carry forward, which resulted in a reduction in the valuation allowance related to deferred tax assets. Deferred tax assets, net of deferred tax liabilities, amounted to $13.4 million at December 31, 1998. The Company has recorded a related valuation allowance of $13.4 million. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income (losses) and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not the Company will not realize the benefits of these deductible differences. See Note 3 to the consolidated financial statements.

Net income totaled $2.1 million, or $1.07 per share in 1998 compared with $1.6 million, or $0.82 per share in 1997.

During 1997, the Company's Board of Directors changed its investment strategy related to the Retirement Plan Trust. As a result, the market value of the portfolio increased by $2.0 million, thereby reducing the excess pension liability and increasing the company's net worth by $2.0 million. In 1998, the impact of a drop in long-term interest rates used in calculating our Plan funding requirements as well as fluctuations in the stock market decreased both portfolio value and the Company net worth by $1.7 million.

LIQUIDITY AND CAPITAL RESOURCES As of December 31, 1998, working capital was $9.0 million, up $2.6 million from December 31, 1997. Cash and cash equivalents of $3.6 million held at December 31, 1998 were $1.2 million higher than cash and cash equivalents held at December 31, 1997 primarily due to $3.1 million of net cash provided by operating activities and $0.7 million of marketable securities which matured offset by the net cash outlay of $1.4 million by the Company for the NP Aerospace acquisition ($3.7 million less loan proceeds of $2.3 million) and $1.0 million spent on capital expenditures. There were no marketable securities held at December 31, 1998.

Net cash provided by operations amounted to $3.1 million in 1998 and $1.2 million in 1997. The increase over the prior period relates to the increased profitability of the Company.

Net cash used in investing activities in 1998 totaled $3.9 million, which consisted of the NP Aerospace acquisition totaling $3.7 million and property and equipment expenditures of $1.0 million offset by the maturity of $0.7 million of marketable securities. Net cash used in investing activities in 1997 totaled $0.3 million which consisted of property and equipment expenditures totaling $0.3 million and $0.2 million relating to the payment made for the acquisition of Reynolds & Taylor offset by the maturity of $0.2 million of marketable securities.

Net cash provided by financing activities in 1998 totaled $2.0 million relating to the $2.3 million of proceeds from the CIT loan, less subsequent repayments.

The Company does not have any current significant commitments for capital expenditures at December 31, 1998.

As discussed in the notes to the consolidated financial statements, the Company acquired certain assets and assumed certain liabilities of the Ballistic and Performance Composites Division of Courtaulds Aerospace Ltd on April 24, 1998 (the Closing Date). On the Closing Date, Reinhold paid to Courtaulds plc Two Million Two Hundred Thousand pounds sterling ((pound)2,200,000) ($3,706,340 based on an exchange rate of $1.6847) and may make additional payments in the future as required by the Asset Sale Agreement.

The source of funds for a portion of the Purchase Consideration due on the Closing Date was a Five Year Loan and Security Agreement with The CIT Group Credit/Finance (CIT) in the amount of Four Million Dollars ($4,000,000) at an interest rate of prime plus 1.75% (9.50%). The term portion of the loan in the amount of Two Million Two Hundred Sixty-Eight Thousand Dollars ($2,268,000) was received from CIT. The remainder of the CIT credit facility is a revolver of One Million Seven Hundred Thirty-Two Thousand Dollars ($1,732,000), which has not been used at this time. The remaining portion of the purchase consideration not funded by the CIT loan was funded by Reinhold's cash on hand. Future payments required by the Agreement are expected to be financed from operating cash flows.

The Company had a credit facility with the Keene Creditors' Trust whereby the Company had the ability to draw on a $1.5 million line of credit. However, this credit facility expired on July 31, 1998. No amounts had been used under this facility.

Management believes that the available cash, cash flows from operations and the amounts available under the Credit Facility described above, will be sufficient to fund the Company's operating and capital expenditure requirements.

RECENT ACCOUNTING PRONOUNCEMENTS In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 modifies the accounting for derivatives and hedging activities and is effective for fiscal years beginning after December 15, 1999. At this time, the Company does not expect the adoption of SFAS No. 133 to have a significant impact on its financial position or results of operations. In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1 (SOP 98-1), "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". The Company will adopt SOP 98-1 effective in 1999. The adoption of SOP 98-1 will require the Company to modify its method of accounting for computer software developed or obtained for internal use. Based upon information currently available, the Company does not expect the adoption of SOP 98-1 to have a significant impact on its financial position or results of operations.

KEENE CREDITORS' TRUST SCHEDULE 13D AMENDMENT FILING On July 27, 1998 The Keene Creditors' Trust, owner of 100% of the Class B Common Stock, filed an amendment, dated July 16, 1998, to their previously filed Schedule 13D, dated August 12, 1996, with the Securities and Exchange Commission. The purpose of this filing was to announce the retention of HT Capital Advisors, LLC to assist the Trust in determining the value of its shares and the feasibility of a disposition of 100% of those shares for cash. The process to sell has been initiated and several companies have shown interest in those shares. Formal due diligence proceedings have not yet begun by any of the prospective purchasers.

FORWARD LOOKING STATEMENTS This Annual Report contains statements which, to the extent that they are not recitations of historical fact, constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). The words "estimate", "anticipate", "project", "intend", "expect", and similar expressions are intended to identify forward looking statements. All forward looking statements involve risks and uncertainties, including, without limitation, statements and assumptions with respect to future revenues, program performance and cash flow. Readers are cautioned not to place undue reliance on these forward looking statements which speak only as of the date of this Annual Report. The Company does not undertake any obligation to publicly release any revisions to these forward looking statements to reflect events, circumstances or changes in expectations after the date of this Annual Report, or to reflect the occurrence of unanticipated events. The forward looking statements in this document are intended to be subject to safe harbor protection provided by Sections 27A of the Securities Act and 21E of the Exchange Act.

YEAR 2000 Many existing computer programs use only two digits to identify a year in a date. If not corrected, many computer applications and systems could fail or create erroneous results before or after the year 2000. In The United States, the Company had anticipated the year 2000 problem in the mid-1980's and therefore created compliant systems. The internal computer systems in the United

States are Year 2000 compliant. In the United Kingdom, the Company is in the process of identifying and remediating or replacing any other computer systems and software that may not function correctly in the year 2000. Additionally, the Company is planning a program of communications with its significant suppliers, customers and affiliated companies to determine the readiness of these third parties and the impact on the Company as a consequence of their own year 2000 issues. The Company's manual assessment of the impact of the year 2000 date change should be complete by mid-1999. The Company believes that it will be able to identify, and, if necessary, modify or replace such systems and software before any year 2000 associated problems. No assurances can be given that such modification and replacement will be completed before any year 2000 associated problems arise or that costs arising from unanticipated problems will not have a material adverse effect on the Company. The Company's most likely potential risk is a temporary inability of some customers to order and pay on a timely basis, and for the company to receive purchases from their vendors on time. The Company's year 2000 efforts are ongoing and its overall plan will continue to evolve as new information becomes available.

While the Company anticipates no major interruption in its business activities, it will be dependent, in part, on the ability of third parties to be year 2000 compliant. As of December 31, 1998, amounts spent on the Company's year 2000 program were less than $25,000. The Company currently estimates the cost to remediate both its year 2000 hardware and software issues to be less than $30,000.

The Company is in the process of assessing the year 2000 readiness of its critical suppliers. We expect this assessment to be completed by the end of the second quarter 1999. At this time, we have not formulated a contingency plan, but expect to have specific contingency plans in place by the end of the third quarter 1999.

Reinhold Industries, Inc. and Subsidiary
<TABLE>
<CAPTION>

Consolidated Statements of Operations
(Amounts in thousands, except for per share data)

	Year ended December 31, 1998	Year ended December 31, 1997
<S>	<C>	<C>
Net sales	$25,996	16,232
Cost of sales	19,493	11,533
Gross profit	6,503	4,699
Selling, general and administrative expenses	4,307	3,104
Operating income	2,196	1,595
Interest (expense) income, net	(17)	103
Income before income taxes	2,179	1,698
Income taxes	41	51
Net income	$ 2,138	1,647
Basic and diluted earnings per share		
Net income	$ 1.07	0.82
Weighted average common shares outstanding	1,999	1,999

<FN>

See accompanying notes to the consolidated financial statements.
</FN>
</TABLE>

Reinhold Industries, Inc. and Subsidiary
<TABLE>
<CAPTION>

Consolidated Balance Sheets
(Amounts in thousands, except share data)

<S> <C> <C>

	December 31, 1998	December 31, 1997
Assets		
Current assets:		
Cash and cash equivalents	$ 3,622	2,419
Marketable securities	-	750
Accounts receivable (less allowance for doubtful accounts of $287 and $344, respectively)	4,869	1,899
Inventories	4,385	1,975
Prepaid expenses and other current assets	928	708
Total current assets	13,804	7,751
Property and equipment, at cost	9,532	7,826
Less accumulated depreciation and amortization	4,056	3,300
Net property and equipment	5,476	4,526
Other assets, less applicable amortization	935	938
	$20,215	13,215
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 2,976	588
Accrued expenses	1,413	849
Current installments of long term debt	454	-
Total current liabilities	4,843	1,437
Long-term pension liability	2,290	592
Long-term debt, less current installments	1,550	-
Other long-term liabilities	1,834	1,846
Stockholders' equity:		
Common stock, $0.01 par value:		
Class A - authorized 1,480,000 shares; issued and outstanding 978,956 shares	10	10
Class B - authorized 1,020,000 shares; issued and outstanding 1,020,000 shares	10	10
Additional paid-in capital	7,791	7,791
Retained earnings	4,186	2,048
Accumulated other comprehensive loss	(2,299)	(519)
Net stockholders' equity	9,698	9,340
Commitments and contingencies		
	$20,215	13,215

<FN>

See accompanying notes to the consolidated financial statements.
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</TABLE>

Reinhold Industries, Inc. and Subsidiary
<TABLE>
<CAPTION>

Consolidated Statements of Cash Flows
(Amounts in thousands)

<S> <C> <C>

	Year ended December 31, 1998	Year ended December 31, 1997
Cash flows from operating activities:		
Net income	$ 2,138	1,647
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	899	844
Accounts receivable, net	(359)	(76)
Inventories	(178)	(484)
Other current assets	(143)	(250)
Other assets	32	26
Accounts payable	1,007	(170)
Accrued expenses	(18)	(89)

Other, net	(266)	(205)
Net cash provided by operating activities	3,112	1,243
Cash flows used in investing activities:		
Maturity of marketable securities	750	250
Acquisitions	(3,707)	(246)
Capital expenditures	(956)	(350)
Net cash used in investing activities	(3,913)	(346)
Cash flows from financing activities:		
Proceeds from long term debt	2,268	-
Repayment of long term debt	(264)	-
Net cash provided by financing activities	2,004	-
Net increase in cash and cash equivalents	1,203	897
Cash and cash equivalents at beginning of year	2,419	1,522
Cash and cash equivalents at end of year	$ 3,622	2,419
Supplementary disclosures of cash flow information - Cash paid during the year for:		
Income taxes	$ 38	30
Interest	$ 137	-

<FN>

See accompanying notes to the consolidated financial statements.
</FN>
</TABLE>

Reinhold Industries, Inc. and Subsidiary
<TABLE>
<CAPTION>

Consolidated Statements of Stockholders' Equity and Comprehensive Income
(Amounts in thousands, except share data)

	Common stock $0.01 par value			
	Class A Shares	Amount	Class B Shares	Amount
<S>	<C>	<C>	<C>	<C>
Balance, December 31, 1996	978,956	$10	1,020,000	$10
Net income	-	-	-	-
Decrease in additional pension liability in excess of unrecognized prior service cost	-	-	-	-
Comprehensive income				
Balance, December 31, 1997	978,956	10	1,020,000	10
Net income	-	-	-	-
Increase in additional pension liability in excess of unrecognized prior service cost	-	-	-	-
Foreign currency translation adjustment	-	-	-	-
Comprehensive income				
Balance, December 31, 1998	978,956	$10	1,020,000	$10

<FN>

See accompanying notes to consolidated financial statements.

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</TABLE>

Reinhold Industries, Inc. and Subsidiary
<TABLE>
<CAPTION>

Additional paid-in capital	Retained earnings	Comprehensive Income Accumulated other comprehensive loss	Total comprehensive income	Net stockholders' equity
<S>	<C>	<C>	<C>	<C>
$7,791	$ 401	$(2,493)		$5,719
-	1,647	-	$1,647	1,647
-	-	1,974	1,974	1,974
			3,621	
7,791	2,048	(519)		9,340
-	2,138	-	2,138	2,138
-	-	(1,730)	(1,730)	(1,730)
-	-	(50)	(50)	(50)
			358	
$7,791	$4,186	$(2,299)		$9,698

</TABLE>

Reinhold Industries, Inc. and Subsidiary

Notes to Consolidated Financial Statements
Years ended December 31, 1998 and 1997

1 ORGANIZATION

Description of Business Reinhold Industries, Inc. and Subsidiary (Reinhold or the Company) is a manufacturer of advanced custom composite components and sheet molding compounds for a variety of applications in the United States and Europe. Reinhold derives revenues from the defense contract industry, the aerospace industry and other commercial industries.

Chapter 11 Reorganization Reinhold was acquired by Keene Corporation (Keene) in 1984 and operated as a division of Keene until 1990, when Reinhold was incorporated in the state of Delaware as a wholly owned subsidiary of Keene.

On December 3, 1993, Keene filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the Bankruptcy Code) in the United States Bankruptcy Court (Bankruptcy Court). Keene's Chapter 11 filing came as a direct result of the demands on Keene of thousands of asbestos-related lawsuits which named Keene as a party.

On July 31, 1996 (the Effective Date), Keene consummated its Plan of Reorganization under the Bankruptcy Code (the Plan) and emerged from bankruptcy. On the Effective Date, Reinhold was merged into and with Keene, with Keene becoming the surviving corporation. Pursuant to the merger, all of the issued and outstanding capital stock of Reinhold was canceled. Keene, as the surviving corporation of the merger, was renamed Reinhold.

On the Effective Date, Reinhold issued 1,998,956 shares of Common Stock, of which 1,020,000 of Class B Common Stock was issued to the Trustees of a Creditors' Trust (the Creditors' Trust) set up to administer Keene's asbestos claims. The remaining 978,956 shares of Class A Common Stock were issued to Keene's former stockholders as of record date, June 30, 1996. All of Keene's previous outstanding Common Stock was canceled.

The payments and distributions made to the Creditors' Trust pursuant to the terms and conditions of the Plan were made in complete satisfaction, release and discharge of all claims and demands against, liabilities of, liens on, obligations of and interest in Reinhold (Reorganized Company).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

Principles of Consolidation The accompanying consolidated financial statements as of and for the years ended December 31, 1998 and 1997, include the accounts of Reinhold and its wholly owned subsidiary NP Aerospace Limited (NP Aerospace) which was acquired on April 24, 1998. All material intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents The Company considers cash in banks, commercial paper, demand notes, and similar short-term investments purchased with maturities of less than three months as cash and cash equivalents for the purpose of the statements of cash flows.
<TABLE>
<CAPTION>

Cash and cash equivalents consist of the following (in thousands):

	December 31, 1998	December 31, 1997
<S>	<C>	<C>
Cash in banks	$ 722	504
Money market funds	2,900	1,915
Total	$ 3,622	2,419

</TABLE>

INVENTORIES Inventories are stated at the lower of cost or market on a first-in, first-out (FIFO) basis. Inventoried costs relating to long-term contracts and programs are stated at the actual production costs, including factory overhead, initial tooling, and other related non recurring costs incurred to date, reduced by amounts related to revenue recognized on units delivered.

ACCOUNTING FOR GOVERNMENT CONTRACTS Substantially all of the Company's government contracts are firm fixed price. Sales and cost of sales on such contracts are recorded on units delivered. Estimates of cost to complete are reviewed and revised periodically throughout the contract term, and adjustments to profit resulting from such revisions are recorded in the accounting period in which the revisions are made. Losses on contracts are recorded in full as they are identified.

Amounts billed to contractors of the U.S. Government included in accounts receivable at December 31, 1998 and 1997 were $889,000 and $647,000, respectively.

MARKETABLE SECURITIES The Company accounts for investments in certain debt and equity securities under the provisions of Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Debt and Equity Securities". Under SFAS No. 115, the Company must classify its debt and marketable equity securities in one of three categories: trading, available-for-sale, or held-to-maturity.

Available-for-sale securities are recorded at fair value. Unrealized holding gains and losses, net of the tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of stockholders' equity until realized. Declines in the market value of available-for-sale securities deemed to be other than temporary result in charges to current earnings and establishment of a new cost basis.

At December 31, 1997, the Company's marketable securities consist principally of highly liquid U.S. Government Treasury notes and bills with various maturity dates through 1998. The Company has classified all of its marketable securities as available-for-sale. At December 31, 1997, unrealized holding gains or losses were immaterial.

Proceeds from the sale of marketable securities available for sale were $750,000 during the year ended December 31, 1998 and $250,000 during the year ended December 31, 1997. Gross realized gains and losses included in income in 1998 and 1997 were immaterial.

PROPERTY AND EQUIPMENT The Company depreciates property and equipment principally on a straight-line basis based over estimated useful lives. Leasehold improvements are amortized straight-line over the shorter of the lease term or estimated useful life of the asset.
<TABLE>
<CAPTION>

Property and equipment, at cost, consists of the following (in thousands):

	Useful life	December 31, 1998	December 31, 1997

<S>	<C>	<C>	<C>
Undeveloped land	-	$ 900	900
Buildings	10 years	352	-
Leasehold improvements	5-6 years	838	836
Machinery and equipment	5-25 years	6,794	5,553
Furniture and fixtures	3-10 years	643	523
Construction in process	-	5	14
		9,532	7,826
Less accumulated depreciation and amortization		4,056	3,300
		$5,476	4,526

</TABLE>

When property is sold or otherwise disposed of, the asset cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statement of operations.

Maintenance and repairs are expensed as incurred. Renewals and betterments are capitalized.

OTHER ASSETS Other assets consist primarily of goodwill. Goodwill represents the excess of purchase price over fair value of net assets acquired, and is amortized on a straight-line basis over the expected periods to be benefited, 10 years. Goodwill and related accumulated amortization included in other assets at December 31, 1998 and 1997 amounted to $1,118,000 and $369,000, and $1,118,000 and $252,000, respectively.

ACQUIRED BUSINESS On April 24, 1998, NP Aerospace Limited purchased from Courtaulds Aerospace Limited (CAL), a U.K. Corporation, which is a wholly owned subsidiary of Courtaulds plc, a U.K. Corporation, certain assets (consisting of Accounts Receivable, Inventory, Machinery and Equipment, Land and Intellectual Property and Patents) and assumed certain liabilities of the Ballistic and Performance Composites Division of CAL. Reinhold, as the Guarantor for NP Aerospace, became obligated to pay to Courtaulds plc net consideration consisting of (a) Two Million Two Hundred Thousand pounds sterling ((pound)2,200,000) ($3,706,340 based on an exchange rate of $1.6847) cash on the Closing Date and (b) within 120 days following the end of each of the calendar years 1998 through 2001, a cash amount equal to 25% of the Pre-tax Profit on the light armored vehicle business only, the maximum aggregate amount of which shall not exceed Twenty Million pounds sterling ((pound)20,000,000). Additional payments will be capitalized as part of the purchase price, when and if earned.

The acquisition has been accounted for by the purchase method and, accordingly, the results of operations of the acquired business have been included in the consolidated financial statements from April 24, 1998.
<TABLE>
<CAPTION>

The excess of the fair value of the net identifiable assets acquired over the purchase price has been allocated to fixed assets as follows (in thousands):

<S>	<C>
Working capital	$ 3,360
Severance costs	(403)
Net identifiable assets	2,957
Purchase price	3,707
Excess over cost allocated to property, plant and equipment	$ 750

</TABLE>

<TABLE>
<CAPTION>

The pro forma unaudited results of operations for the years ended December 31, 1998 and 1997, assuming consummation of the purchase as of January 1, 1997 are as follows (in thousands, except earnings per share data):

	Year ended December 31, 1998	Year ended December 31, 1997
<S>	<C>	<C>
Net sales	$ 30,918	32,780
Net income	$ 2,270	1,997
Basic and diluted earnings per share	$ 1.14	1.00

</TABLE>

On March 2, 1992, the Company acquired Reynolds & Taylor, Inc. (R&T) from Furon Company (Furon). The acquisition was accounted for as a purchase. The acquisition agreement provided that Reinhold was required to pay additional cash consideration over the years ended December 31, 1992 through December 31, 1996 (inclusive). The final payment for the year ended December 31, 1996 was $246,000, resulting in an increase in goodwill. This amount was paid in January 1997.

INCOME TAXES The Company accounts for income taxes under SFAS No. 109, "Accounting for Income Taxes." Under the asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

EARNINGS PER SHARE The Company adopted the provisions of SFAS No. 128 "Earnings Per Share" during the quarterly period ending December 31, 1997. This statement specifies new standards designed to improve the earnings per share information provided in financial statements by simplifying the existing computational guidelines, revising the disclosure and increasing the comparability of earnings per share data on an international basis. Adoption of SFAS No. 128 had no impact on the current year's calculation or previously reported amounts, as the Company has no dilutive securities.

COMPREHENSIVE INCOME The Company adopted the provisions of SFAS No. 130 "Reporting Comprehensive Income", effective January 1, 1998. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. Total comprehensive income is reported in the Consolidated Statements of Stockholders' Equity in the financial statements and includes net income, changes in the additional pension liability in excess of unrecognized prior service cost and changes in foreign currency translation.

STOCK OPTION PLAN Prior to January 1, 1996, the Company accounted for its stock option plan in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. On January 1, 1996, the Company adopted SFAS No. 123, "Accounting for Stock-Based Compensation," which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 also allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income and pro forma earnings per share disclosures for employee stock option grants made in 1995 and future years as if the fair-value-based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure provisions of SFAS No. 123, if required. All stock options granted by the Company were prior to January 1, 1995; accordingly, pro forma disclosures are not required until such time as the Company grants additional stock options under the new stock plan, as described in Note 6 to the consolidated financial statements.

PENSION AND OTHER POSTRETIREMENT PLANS The Company has a defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service and the employee's compensation during the last years of service before retirement. The cost of this program is being funded currently. In February 1998, the Financial Accounting Standards Board issued SFAS No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits". SFAS No. 132 does not change the measurement or recognition of these plans, however, it standardizes the disclosure requirements. See Note 7 to the consolidated financial statements.

USE OF ESTIMATES Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and income and expense and disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

IMPAIRMENT OF LONG-LIVED ASSETS AND LONG-LIVED ASSETS TO BE DISPOSED OF The Company accounts for long lived assets and certain intangibles including goodwill under the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS No. 121

requires that long-lived assets and certain identifiable intangibles including goodwill be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. As of December 31, 1998 and 1997, no assets were considered impaired.

FAIR VALUE OF FINANCIAL INSTRUMENTS The carrying amounts of the following financial instruments approximate fair value because of the short maturity of those instruments: cash and cash equivalents, accounts receivable, other current assets, other assets, accounts payable, accrued expenses and current installments of long term debt. The fair values of marketable securities are based on the quoted market prices at the reporting date for those investments. The long term debt bears interest at a variable market rate, and thus has a carrying amount that approximates fair value.

FOREIGN CURRENCY The reporting currency of the Company is the United States dollar. The functional currency of NP Aerospace is the UK pound sterling. For consolidation purposes, the assets and liabilities of the Company's subsidiary are translated at the exchange rate in effect at the balance sheet date. The consolidated statement of income is translated at the average exchange rate in effect from the date of acquisition through December 31, 1998. Exchange differences arise from the valuation rates of the intercompany accounts and are taken directly to Stockholders' equity. The exchange rate at December 31, 1998 was $1.66 for both the balance sheet and the consolidated statement of income.

RECLASSIFICATIONS Certain amounts in the prior period consolidated financial statements have been reclassified to conform with the current presentation.

3 INCOME TAXES
<TABLE>
<CAPTION>

The income tax provision consists of (in thousands):

	Year ended December 31, 1998	Year ended December 31, 1997
<S>	<C>	<C>
Federal	$ 35	39
State	3	12
Foreign	3	-
Deferred	-	-
Total	$ 41	51

</TABLE>
<TABLE>
<CAPTION>

The income tax expense for the years ended December 31, 1998 and 1997 was $41,000 and $51,000, respectively, and differed from the amounts computed by applying the U.S. Federal income tax rate of 34% to pretax income as a result of the following (in thousands):

	Year ended December 31, 1998	Year ended December 31, 1997
<S>	<C>	<C>
Statutory taxes at Federal rate	$ 601	594
Federal and State Alternative Minimum Tax	-	51
State taxes, net of Federal tax benefits	52	-
Permanent differences	(247)	-
Change in valuation allowance	(403)	(643)
Other	38	49
Total provision for income tax expense	$ 41	51

</TABLE>

<TABLE>
<CAPTION>

The significant components of deferred income tax benefit were as follows (in thousands):

Year ended Year ended

	December 31, 1998	December 31, 1997
<S>	<C>	<C>
Current deferred tax benefit	$ 403	643
Change in valuation allowance for deferred tax asset	(403)	(643)
Total deferred tax benefit	$ -	-

</TABLE>
<TABLE>
<CAPTION>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	December 31, 1998	December 31, 1997
<S>	<C>	<C>
Deferred tax assets:		
Adjustments from quasi-reorganization	$ 595	595
Net operating loss carryforwards	12,305	13,416
Inventory reserves	240	363
Other reserves	996	886
Total gross deferred tax assets	14,136	15,260
Less valuation allowance	(13,388)	(14,593)
Net deferred tax assets	748	667
Deferred tax liabilities:		
Pension	(268)	(207)
Depreciation	(480)	(460)
Total gross deferred tax liabilities	(748)	(667)
Net deferred tax assets	$ -	-

</TABLE>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not the Company will not realize the benefits of these deductible differences at December 31, 1998.

At December 31, 1998 and 1997, the Company had generated net operating loss carryovers for Federal income tax purposes of approximately $34,857,000 and $38,331,000, respectively. At December 31, 1998, the Company has also generated net operating loss carryovers for State income tax purposes of approximately $8,988,000. The Company may utilize the Federal net operating losses by carrying them forward to offset future Federal taxable income, if any, through 2011. The Company may utilize the State net operating losses by carrying them forward to offset future State taxable income, if any, through 2001.

Pursuant to the Plan, Keene (predecessor company) transferred certain assets on July 31, 1996 to the Creditors' Trust. Certain assets at the date of transfer were not capable of being valued until the resolution of pending litigation. The Company anticipates a future tax benefit; however, since the value of certain assets is not currently quantifiable and the extent of any potential benefit resultant upon the transfer of the assets is not estimable, the Company has not disclosed nor recorded a deferred tax benefit in the accompanying consolidated financial statements.

4 LONG TERM DEBT
On April 22, 1998, the Company borrowed $2,268,000, of which $2,004,000 is outstanding as of December 31, 1998, from The CIT Group Credit/Finance (CIT) to fund a portion of the purchase consideration due to Courtaulds Aerospace. The Company had previously entered into a Five Year Loan and Security Agreement with CIT in the amount of Four Million Dollars ($4,000,000). The term portion of the loan ($2,268,000) is payable in equal monthly principal payments of $37,800 plus interest at prime plus 1.75% and is secured by fixed assets and land. The remainder of the CIT credit facility is a revolver of One Million Seven Hundred Thirty-Two Thousand Dollars ($1,732,000), which has not been used at this time.

<TABLE>
<CAPTION>

At December 31, 1998, maturities of long term debt were as follows (in thousands):

<S> <C>

1999	$ 454
2000	454
2001	454
2002	454
2003	188
	$ 2,004

</TABLE>

5 STOCKHOLDERS' EQUITY
Common stock consists of 2,500,000 authorized shares, $0.01 par value per share, of which 1,020,000 shares of Class B and 978,956 of Class A were issued and outstanding at December 31, 1998 and 1997. At such time as the Class B Common Stock shall represent less than 10% of the aggregate shares of Common Stock then outstanding, all the shares of the Class B Common Stock shall convert to Class A Common Stock.

6 STOCK OPTIONS
As of the Effective Date, the Company established a stock incentive plan (the Stock Plan) for key employees. The Stock Plan permits the grant of stock options, stock appreciation rights, and restricted stock. The total number of shares of stock subject to issuance under the Stock Plan may not exceed 100,000. The maximum number of shares of stock with respect to which options or stock appreciation rights may be granted to any eligible employee during the term of the Stock Plan may not exceed 10,000. The shares to be delivered under the Stock Plan may consist of authorized but unissued stock or treasury stock not reserved for any other purpose.

The exercise price of the options is established at the discretion of a Committee of the Board of Directors (the Committee), provided that it may not be less than the estimated fair value at the time of grant. The Stock Plan provides that the options are exercisable based on vesting schedules, provided that in no event shall such options vest more rapidly than 33 1/3% annually. The options expire no later than ten years from the date of grant.

The Committee, in its discretion, in connection with grant of an option, may grant to the optionee stock appreciation rights (SARs). A SAR will entitle the holder of the related option, upon exercise of the stock appreciation right, to surrender such option and receive payment of an amount determined by multiplying (i) the excess of the fair market value of a share of stock on the date of exercise of such SAR over the purchase price of a share of stock under the related option, by (ii) the number of shares as to which the SARs have been exercised.

The Committee may grant shares of restricted stock to eligible employees and in such amounts as it shall determine in its sole discretion.

No options, SARs or restricted stock were granted under the Stock Plan.

7 PENSION PLAN
The Company has a pension plan covering substantially all employees. The benefits paid under the pension plan generally are based on an employee's years of service and compensation during the last years of employment (as defined). Annual contributions made to the pension plan are determined in compliance with the minimum funding requirements of ERISA, using a different actuarial cost method and different actuarial assumptions than are used for determining pension expense for financial reporting purposes. Plan assets consist principally of publicly traded equity and debt securities.

The measurement date used for the valuation of the pension plan and calculation of projected benefits and fair value of assets was changed from September 30 to December 31 in 1998. The 1997 information was not restated. The fourth quarter 1997 information is included in 1998.

<TABLE>
<CAPTION>

Net pension cost included the following (in thousands):

<S> <C> <C>

	Year Ended December 31, 1998	Year Ended December 31, 1997
Service cost	$113	96

Interest cost on benefits earned in prior years	839	846
Expected return on assets	(972)	(839)
Amortization of net obligation at transition	20	20
Amortization of net loss	6	112
Net pension cost	$ 6	235

</TABLE>
<TABLE>
<CAPTION>

The following table sets forth a reconciliation of the pension plan's benefit obligation at December 31, 1998 and September 30, 1997 (in thousands):

<S>	1998 <C>	1997 <C>
Projected benefit obligation at beginning of period	$11,812	11,947
Service cost	137	102
Interest cost	1,051	846
Actuarial loss/(gain)	1,049	(256)
Benefits paid	(1,350)	(827)
Projected benefit obligation at end of period	$12,699	11,812

</TABLE>
<TABLE>
<CAPTION>

The following table sets forth a reconciliation of the pension plan's assets at December 31, 1998 and September 30, 1997 (in thousands):

<S>	1998 <C>	1997 <C>
Fair value of plan assets at beginning of period	$11,432	9,311
Actual return on assets	345	2,483
Employer contributions	328	465
Benefits paid	(1,350)	(827)
Fair value of plan assets at end of period	$10,755	11,432

</TABLE>
<TABLE>
<CAPTION>

The following table sets forth a reconciliation of the pension plan's funded status at December 31, 1998 and September 30, 1997 (in thousands):

<S>	1998 <C>	1997 <C>
Projected benefit obligation at end of period	$12,699	11,812
Fair value of plan assets at end of period	10,755	11,432
Funded status	(1,944)	(380)
Unrecognized prior service cost	1	8
Unrecognized net obligation at transition	40	65
Unrecognized net loss	2,562	704
Prepaid pension cost at end of period	$ 659	397
Intangible asset at December 31,	$ 41	73
Additional minimum liability at December 31,	(2,290)	(592)
Additional pension liability in excess of prior service cost at December 31,	$(2,249)	(519)

</TABLE>
<TABLE>
<CAPTION>

Assumptions used in accounting for the pension plan were:

<S>	December 31, 1998 <C>	December 31, 1997 <C>
Discount rate	6.5%	7.5%
Rate of increase in compensation levels	5.0	5.0
Expected long-term rate of return on assets	9.0	9.0

</TABLE>

The unrecognized prior service cost and the unrecognized net loss are being amortized on a straight-line basis over the average future service of employees expected to receive benefits under the plans. The unrecognized net obligation at transition is being amortized on a straight-line basis over 15 years.

Reinhold Industries, Inc. and Subsidiary

Notes to Consolidated Financial Statements (cont'd)

8 OPERATING SEGMENTS

The Company adopted SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information" as of December 31, 1998. SFAS No. 131 establishes new standards for reporting information about operating segments and related disclosures about products and services, geographic areas and major customers.

Reinhold is a manufacturer of advanced custom composite components and sheet molding compounds for a variety of applications in the United States and Europe. The Company generates revenues from four operating segments: Aerospace, CompositAir, Commercial and NP Aerospace. Management has determined these to be Reinhold's operating segments based upon the nature of their products. Aerospace produces a variety of products for the U.S. military and space programs. CompositAir produces components for the commercial aircraft seating industry. The Commercial segment produces lighting housings and pool filters. NP Aerospace is our subsidiary located in Coventry, England and produces products for law enforcement, lighting, military, automotive and commercial aircraft.

<TABLE>
<CAPTION>

The information in the following tables is derived directly from the segment's internal financial reporting for corporate management purposes (in thousands).

<S>	December 31, 1998 <C>	December 31, 1997 <C>
Net sales		
Aerospace	$ 6,165	6,391
CompositAir	8,997	8,340
Commercial	1,978	1,501
NP Aerospace	8,856	-
Total sales	$ 25,996	16,232
Income before income taxes		
Aerospace	$ 1,587	1,994
CompositAir	431	304
Commercial	72	(198)
NP Aerospace	410	-
Unallocated corporate expenses	(321)	(402)
Total income before income taxes	$ 2,179	1,698
Depreciation and amortization		
Aerospace	$ 369	424
CompositAir	220	214
Commercial	150	137
NP Aerospace	64	-
Unallocated corporate	96	69
Total depreciation and amortization	$ 899	844
Capital expenditures		
Aerospace	$ 63	117
CompositAir	458	100
Commercial	132	133
NP Aerospace	303	-
Total capital expenditures	$ 956	350
Total assets		
Aerospace	$ 4,869	5,590
CompositAir	3,419	2,541
Commercial	1,144	1,134
NP Aerospace	8,015	-
Unallocated corporate	2,768	3,950
Total assets	$ 20,215	13,215

</TABLE>

Reinhold Industries, Inc. and Subsidiary

Notes to Consolidated Financial Statements (cont'd)
<TABLE>
<CAPTION>

The table below presents information related to geographic areas in which Reinhold operated in 1998 and 1997 (in thousands):

	December 31, 1998	December 31, 1997
<S>	<C>	<C>
Net sales		
United States	$14,920	13,794
United Kingdom	8,579	266
Germany	1,797	2,172
Switzerland	336	-
Sweden	238	-
Other Europe	126	-
Net sales	$25,996	16,232
Total assets		
United States	$12,200	13,215
United Kingdom	8,015	-
Total assets	$20,215	13,215

</TABLE>

9 COMMITMENTS AND CONTINGENCIES
LEASES The Company leases certain facilities and equipment under operating leases expiring through 2002. Total rental expense on all operating leases approximated $509,000 and $447,000 for 1998 and 1997, respectively.
<TABLE>

Minimum future rental commitments under noncancelable operating leases at December 31, 1998 are as follows (in thousands):

<S>	<C>
1999	$ 449
2000	254
2001	104
2002	44
	$ 851

</TABLE>

LEGAL PROCEEDINGS The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material effect on the Company's financial position, results of operations, or liquidity.

10 BUSINESS AND CREDIT CONCENTRATIONS
As the United States Government continues to reduce budget allocations for defense expenditures, sales to customers operating in the defense contract industry may be adversely affected. The Company has been successful in replacing sales lost to customers in the defense contract industry with companies operating in the aerospace and other commercial industries. Changes in the marketplace of any of the above-named industries may significantly affect management's estimates and the Company's performance.

The Company's principal customers are prime contractors to the U.S. Government, other foreign governments and aircraft seat manufacturers.
<TABLE>
<CAPTION>

Sales to each customer that exceed 10% of total net sales for the periods presented were as follows (in thousands):

	Year ended December 31, 1998	Year ended December 31, 1997
<S>	<C>	<C>
B/E Aerospace	$ 8,687	5,736
Alliant Techsystems	3,077	1,929
Recaro Aircraft Seating	*	2,173

<FN>
*Sales to these customers were less than 10% of total net sales for the period.
</FN>
</TABLE>

B/E Aerospace accounted for approximately 39% of the Company's accounts receivable balance before any adjustments for the allowance for doubtful accounts and the United Kingdom Ministry of Defense accounted for approximately 12%. No other customer exceeded 10% of the Company's gross accounts receivable balance. The Company estimates an allowance for doubtful accounts based on the creditworthiness of its customers as well as general economic conditions. Consequently, an adverse change in those factors could affect the Company's estimate of its bad debts.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Reinhold Industries, Inc.

We have audited the accompanying consolidated balance sheets of Reinhold Industries, Inc. and Subsidiary (the Company) as of December 31, 1998 and 1997 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Reinhold Industries, Inc. and Subsidiary as of December 31, 1998 and 1997 and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

/s/ KPMG LLP

Los Angeles, California
January 29, 1999

<TABLE>
<CAPTION>

CORPORATE DIRECTORY

<S>	<C>	<C>	<C>
BOARD OF DIRECTORS	CORPORATE OFFICES	FORM 10-KSB	STOCK LISTING
Lawrence H. Diamond	12827 East Imperial Highway	Stockholders may obtain a	Reinhold common stock
Chairman	Santa Fe Springs, CA 90670	copy of Reinhold's 10-KSB	is listed on the OTC Bulletin
Retired,	562 944-3281	without charge by writing to	Board
Ernst & Young LLP	562 944-7238 (fax)	Investor Relations Department	Symbol - RNHDA
Michael T. Furry	INVESTOR RELATIONS	TRANSFER AGENT	
President and CEO	Contact Judy Sanson	Continental Stock Transfer &	
Reinhold Industries, Inc.	Reinhold Industries, Inc.	Trust Company	
		2 Broadway	
Robert B. Steinberg	REGISTRAR	New York, New York 10004	
Senior Partner	Continental Stock Transfer &	212 509-4000	
Rose, Klein & Marias	Trust Company		
	2 Broadway	INDEPENDENT AUDITORS	
Corporate Officers	New York, New York 10004	KPMG LLP	
Michael T. Furry		725 South Figueroa Street	
President and CEO	ANNUAL MEETING	Los Angeles, CA 90017	
	The Annual Stockholders'		
Brett R. Meinsen	Meeting will be held at the	ATTORNEYS	
Vice President - Finance	offices of	Petillon & Hansen	
Administration, Treasurer	Reinhold Industries, Inc.	1260 Union Bank Tower	
and Secretary	12827 East Imperial Hwy	21515 Hawthorne Boulevard	
	Santa Fe Springs, CA	Torrance, California 90503	
	on April 30, 1999		
	at 10:00 a.m.	Wapnick & Alvarado	
		11268 W. Washington Blvd.	
		Suite 200	

Culver City, CA 90230

</TABLE>

Stockholder Information

Market Price	High	Low
First Quarter ended March 31, 1998	8 7/8	5 1/2
Second Quarter ended June 30, 1998	9 1/4	8
Third Quarter ended September 30, 1998	8 1/4	6 1/8
Fourth Quarter ended December 31, 1998	8 1/2	6 3/4

The Class A Common Stock of the Company is listed on the OTC Bulletin Board under the ticker symbol RNHDA. The table above sets forth the high and low sale prices of the Company's Class A Common Stock for each of the quarterly periods for the year ended December 31, 1998.

Inside Back Cover
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Reinhold Industries, Inc.
12827 East Imperial Highway
Santa Fe Springs, CA 90670
562 944-3281

EXHIBIT 23.1

Consent of Independent Auditors

The Board of Directors Reinhold Industries, Inc.

We consent to incorporation by reference in Registration Statement No. 333-39925 on Form S-8 of Reinhold Industries, Inc. of our report dated January 29, 1999 relating to the consolidated balance sheets of Reinhold Industries, Inc. as of December 31, 1998 and 1997 and the related consolidated statements of operations, stockholders' equity and comprehensive income and cash flows for the years ended December 31, 1998 and 1997 which reports appears in the December 31, 1998 Annual Report on Form 10-KSB of Reinhold Industries, Inc..

/S/ KPMG LLP

Los Angeles, California
March 26, 1999

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This schedule contains summary information extracted from the consolidated balance sheets and statements of operations found on pages 17 and 18 of Reinhold's 1998 Annual Report to Stockholders, which is incorporated herein by reference.

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