Monday, May 1, 2006

Fellow Shareholders:

LMI had a very good year in 2005, following the transition we experienced in 2004. Sales in 2005 rose 18% to $101 million, net income rose to levels not achieved since the late 1990s, and our backlog of work on order reached a record of $106 million. We were able to leverage this improved operating performance to reach agreement on a more flexible, lower cost lending agreement with Wells Fargo. In March, 2006 we completed a follow on offering of common shares of LMI which has allowed us to repay our debt and retain substantial cash to be used for organic growth and potential acquisitions.

Organic growth was largely responsible for our improved sales in 2005, with new work for existing and new customers beginning to add to sales in the fourth quarter. We have continued to experience strong order activity in 2006, mainly from existing customers with which we have increasingly strong relationships. Our growth strategy continues to emphasize contract wins – which enables us to work more closely with our customers earlier in the design and development process in the case of new aircraft, and to service customers with large outsource programs by providing forward stocking and just in time kitting of components and assemblies.

In 2005, we continued our transition from a lower tier subcontractor building components to customer specifications, to a supplier of value added services, kits and assemblies. In a period when customer demand is increasing rapidly we have added depth to our supply chain management and grown our supply base for subcontracting of fabricated products, we have continued to add information system expertise to help our customers meet their objectives of having a more complete product delivered to their point of use, and we have accelerated our use of lean tactics in manufacturing and administration in order to provide more accurate products to our customers faster.

Our challenges in 2006, in an aerospace industry experiencing globalization and consolidation, are no different from 2005 – improve our technical expertise, provide added customer services, reduce the lead times for delivery of products and services, supply defect free products, increase manufacturing capacity, and deliver products and services at a competitive price. Our outlook for 2006 and beyond is positive – multiyear agreements with our major customers have given us better visibility of future sales demand, and we believe increases in production rates of aircraft models in our three major market sectors will continue at high levels into 2008. Given our strong financial condition, we are investing in people and facilities in order to meet our customers' needs. In the last twelve months our employee count has grown by about 20%, with emphasis on technical expertise and customer service experience. We have also begun classes at the LMI Academy and expect to train over half our workforce by the end of 2007.

We are adding to our leased distribution facility in Tulsa and plan to lease additional assembly and office space in St. Charles in the third quarter. Capital expenditures in 2006 and 2007 are estimated at $7 million each year, some of which will be to set up our plant in Mexicali, Mexico, but most will be to purchase equipment needed for new programs awarded by our customers. We purchased Technical Change Associates, a lean manufacturing consulting firm, early in 2006, and they are quickly being integrated into LMI operations, while maintaining a growing outside client base. TCA will also be used to help LMI plants use some Six Sigma problem solving tools to improve quality performance at our LMI plants, and to help plan the facility designs for our expansions in Tulsa and St. Charles. Our Mexicali plant has been designed to produce hydroform, punch and brake and small mill components, with small assembly to follow in 2007. The lower costs of production in Mexicali will be blended with our U.S. costs when estimating new work opportunities. The Mexicali plant will only manufacture products which are elements of programs benefiting our U.S. plants and Mexicali plant jointly.

Given that we expect increasing demand from our customers over the next few years, we remain principled in our efforts to balance the revenue we earn from our primary market segments.

	2005	2006	2007
Regional and business jets	45%	40%	36%
Commercial aircraft	30%	32%	34%
Military markets	18%	22%	24%
Non-aerospace	7%	6%	6%

We currently expect that sales in 2006 will be $130 to $140 million, with increases on existing programs in 2007 of 5 – 10%.

After a very good year in 2005, we expect that 2006 and 2007 can be excellent years. We are committed to our core vales – Respect for People, Honesty and Integrity, and Customer Focus. We are confident that through the dedication of our employees, who continue to perform, well in the face of unprecedented customer demand, we will indeed become the supplier of choice to our key customers. And that should bring continued rewards to our employees and shareholders. Thank you for your support.

Sincerely,

Ronald S. Saks

President and Chief Executive Officer