

Fellow Shareholders:

In 2006 our sales and net income performance was the best in your company's history. We accomplished this while continuing to invest in expanding our plants and distribution centers and adding key new pieces of equipment which will enable us to generate strong results in coming years. The aerospace industry and the particular market sectors in which we operate are enjoying a strong upsurge in demand, allowing us to strengthen our financial standing in order to build for the future.

Key financial results for 2006 include:

- ❖ Sales in 2006 were a record \$123 million, a 22% increase over 2005.
- ❖ Operating income increased 58% to \$16 million, another all time record.
- ❖ Earnings per diluted common share increased from \$0.61 in 2005 to \$1.01 in 2006.
- ❖ Backlog, the value of firm orders under contract, increased to \$140 million from \$106 million in 2005.
- ❖ Proceeds from a public offering of common shares in March, 2006 were used to repay our debt and invest in short term securities.

Industry Outlook

The aerospace industry, represented in our case by three primary market sectors - corporate and regional aircraft, large commercial aircraft and military aircraft - has been growing rapidly in the last few years. Production rate increases continue in each of these markets at a measured pace, consistent with record orders for aircraft received in the last two years. We expect global demand for corporate and commercial aircraft to continue to grow and a recovering U.S. airline industry should sustain the growth in orders for large commercial aircraft in the next few years. Military spending for new aircraft is expected to continue at high levels, with unusually robust demand continuing for rotorcraft units.

LMI Actions

In order to take advantage of these opportunities, we made \$7 million of capital expenditures in 2006, with additions of large heat treat, machining and forming press capability. We also increased the size of several of our plants and distribution centers in order to accommodate our projected revenue growth. Our Savannah and Tulsa distribution centers will double in size, with each growing about 80,000 square feet in the second and third quarter of 2007, and a new St. Charles assembly center of 43,000 square feet with adjacent new corporate offices of 22,000 square feet were added in the first quarter of 2007.

Our current strategy includes the following elements which are driving this capacity expansion:

1. LMI will provide project management for primary customers on new and existing large programs including logistics, inventory stocking, distribution and delivery to point of use.
2. LMI will increase the value added for kitting and assembly to 50% of total output by the end of 2007. We are working with our customers to increase the volume of kits and assemblies we produce for them and are providing the resources necessary to handle the added work statement.
3. LMI will create a “world class” supply chain management structure which accounts for 15% output by the end of 2007. Our Director of Material has fashioned a new organizational plan designed to quickly and significantly increase the number and size of our supply chain partners, allowing us to provide a wider array of products to our customers.

In order for LMI to transition from a Tier 3 supplier building components to customer specifications to a Tier 2 supplier of value added services, kits, and subassemblies, our leadership team has made and must continue to make appropriate investments in equipment, facilities and people to create an organization ready to change rapidly.

The Future

In building for the future, we are better prepared in 2007 and the coming years to accommodate more complex work statements and are actively pursuing design build projects on newly designed aircraft to complement our current build of components and subassemblies on legacy aircraft.

We will also continue in 2007 to harvest more component manufacturing on existing customer programs, growing the core, profitable business that has allowed us to invest in our ongoing transformation. In 2006 we established a manufacturing plant in Mexicali, Mexico, and have a \$10 million revenue target for that plant in 2008. We intend to continue to grow this facility in the future. We have an educated and motivated workforce and believe we can use the Mexicali plant to accelerate our transition to more complex work in our U.S. plants at competitive pricing.

We are also aggressively reviewing acquisition opportunities, with particular emphasis on companies providing design engineering services, close tolerance machined components and companies with current composites technology and production facilities. We have not made a major acquisition in the last few years and have relied on organic growth to increase our revenues and product offerings. We believe it is now time to acquire companies which have products which integrate with the assemblies and kits we now are producing.

We do remain principled in our efforts to diversify, to balance the revenue we earn from our primary market sectors, and continue to seek added key customers within those segments, as well as a diversified product mix to include new aircraft models. Our actual and projected revenue mix is described below:

Market Sector	2006	2007	2008
Regional and Corporate Jet	38%	35%	34%
Commercial Aircraft	33%	33%	34%
Military Markets	21%	25%	28%
Non Aerospace	8%	7%	4%

2006 was an excellent year for us. Our employee group distinguished itself based on the selfless hard work put forth to achieve the success we experienced. Our fundamentals are strong, we can build on our recent record of consistent profitability, and we are in a position to transform LMI into the supplier of choice for all of our key customers. We appreciate the continued support from our shareholders and plan to build a solid, long term future for your organization. We look forward to the future with confidence and optimism.

Thank you again for your support.

Ron Saks