



Thursday, May 26, 2005

Fellow Shareholders:

2004 was a transition year for LMI. As the year progressed, operating performance improved as aerospace production rates increased in certain segments and as we assimilated new work awarded early in the year. The semiconductor equipment market was strong in the first half of 2004 resulting in our Tempco subsidiary helping carry us through the middle of the year. In the second half of 2004 our sheet metal plants serving the aerospace industry became profitable on higher revenue and consistent attention to cost reduction and manufacturing efficiency, resulting in our reporting an annual profit for the first time since 2001. Sales increased from \$76 million to \$86 million and long-term debt was reduced from \$28 million to \$21 million. In November 2004, we entered into a new lending agreement with Wells Fargo Business Credit that has provided us considerable financial flexibility, allowing us to enter 2005 with a much improved financial capability.

Operationally, we have continued to transition our company from a lower tier subcontractor, building components to our customers' specifications, to a supplier providing added services, as well as kits and subassemblies. The increasing demand from our customers has provided new opportunities to expand these services, while we build our subcontract group and IT systems. Our plan is to transition some existing work statement to lower cost labor sources, while higher production rates and awards of new business will allow us to stabilize our current domestic workforce. We expect that expanding demand for aerospace products – commercial aircraft, business jets, and military aircraft – will continue into 2007. Based on that premise, we foresee sales increases on existing programs of 15% in 2005 and 5-10% in 2006.

We remain steadfast in our efforts to balance the revenue derived from our primary market segments, but expect some changes in revenue distribution in 2005 and 2006.

	2004	2005	2006
Commercial aircraft.....	27%	28%	30%
Regional and business jets.....	39%	44%	40%
Military markets	22%	19%	23%
Non-aerospace.....	12%	9%	7%

As we transition through the next 18 months, we will seek to further grow our sales of subassemblies and kits, and increase the percentage of product distributed to point of use at our customers from 11% in 2004 to 25% by the end of 2006.

We believe that we will be able to capture more market share with key customers by aggressively expanding the use of lean manufacturing techniques to improve production efficiency, and by transferring appropriate work statement to low labor cost sources so that we can offer more competitive pricing to our customers. This transformation of our company will be achieved with the hard working people who are responsible for our recent financial success, supplemented by newly hired employees with the technical skills needed to produce more complex assemblies and components.



We remain true to our core values – Respect for People, Honesty and Integrity, and Customer Focus – and expect that our customers, employees, suppliers and shareholders will be rewarded for their consistent loyalty. These are exciting times – we are committed to delivering consistently improving operating results in 2005 and beyond.

My thanks to all of you, especially our employees, for the loyalty and consistent effort put forth in the last three years. You have been responsible for our transformation, and will be responsible to carry us forward. I sincerely believe that the steps taken in 2004 to improve our company provide a foundation that will yield benefits to all of us – customers, employees, suppliers and shareholders – as we execute our strategy in the future.

Sincerely,

Ronald S. Saks
President and CEO

Financial Highlights

Amounts in thousand, except per share amounts

	2004	2003	%
Sales	\$85,908	\$75,855	13
Gross profit.....	\$16,398	\$ 8,370	96
Income (loss) from operations	\$ 2,528	\$(5,053)	
Long-term debt.....	\$20,556	\$27,825	26
Income (loss) per common share	\$ 0.05	\$ (0.49)	