

Thursday, May 13, 2004

Fellow Shareholders:

A year ago I wrote to you regarding the disappointing year we experienced in 2002 and expressed my optimism concerning our company's financial prospects for 2003. Unfortunately, the results for this past year were also disappointing.

Our plans for 2003 included growing our work statements with key customers, adding distribution centers, winning larger contracts and reducing operating losses at our St. Charles, Missouri, plant. Although we had some initial successes, our regional and business jet volume began to decline dramatically in June 2003, following an unexpected production rate reduction at one of our key customers. Our semiconductor equipment revenue did not rebound until November 2003, five months later than expected, and a high-volume B-52 cowling program produced operating losses resulting from unanticipated changes in component configuration requirements. Sales for 2003, therefore, declined almost 7 percent from 2002.

The reduced sales and pressures on margins led to a larger operating loss in 2003. We did not settle a customer claim for reimbursement of excess costs incurred on C-130 components, and losses have continued on that program. A revised claim for reimbursement will be filed in May 2004. Although our St. Charles plant was restructured in 2003 and began to reduce its operating losses after releasing 160 employees, other LMI plants experienced declining operating results because of the downturn in business jet revenue.

In addition, our relatively strong financial position compared to our industry competitors eroded to the point where customers, suppliers and employees are concerned about our survival. Our auditors felt it necessary to include a going concern statement in the attached Form 10-K based on the continuing losses and requirements of our financial covenants. We continue to believe the challenges from the significant downturn in commercial aircraft demand, regional and business jet production rates and softness in the semiconductor equipment market are formidable but manageable.

What do we expect will change in 2004? How will LMI restore top-line growth and become the growing, profitable company it had been before? We remain optimistic about LMI's future, despite difficult conditions in the commercial aircraft business. Our semiconductor equipment market began to rebound in the fourth quarter of 2003, and this business currently has the largest backlog since entering this market. In April 2004, we were awarded contracts for components for a new regional jet, a commercial aircraft contract for components which will be produced by a Korean partner, and a sizeable transfer of business jet work from another supplier. Combined, these awards should generate between \$8 million and \$12 million in new orders annually.

Improved operations should also contribute to a better year. We restructured our Wichita facility in the first quarter of 2004 by transferring work product to other LMI plants and we will complete the B-52 cowling program by mid- 2004. Because of the added revenue resulting from our new contract awards our Wichita plant should experience higher margins and our Savannah distribution center, which opened in October 2003, should reach estimated revenue levels by this July, six months in advance of plan. Revenue for all LMI divisions in 2004 is now expected to grow 5 percent to 15 percent.

Our revenue distribution targets for 2005 have changed slightly, reflecting projected market conditions and the alterations to our business:

Commercial aircraft	28%
Regional and business jets	30%
Military markets	25%
Non-aerospace	17%

We have a lot of hard work ahead to reach our budget objectives and restore the confidence of you, our shareholders, our customers, suppliers and employees. We have increased our expertise, expanded our revenue base and reduced our cost of operations by focusing on efficiency at each of our plants and in our administrative departments. Our lender is working with us to strengthen our financial position. Our size and breadth of services will assist us in making the transition to a larger, more expert and more successful company.

Thank you for your consideration. We have told you before we will improve our operating results and have not met our commitment. I sincerely believe that we have taken the steps necessary to achieve the recovery you deserve. I expect better news for you as we progress through 2004.

Sincerely,

A handwritten signature in black ink that reads "Ronald S. Saks". The signature is written in a cursive style with a large, prominent 'R' at the beginning.

Ronald S. Saks
President and Chief Executive Officer