



INSTRUMENTS, INC.

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To Our Shareholders and Friends of the Company:

Sales for the first nine months of operation in 2009 were \$29,162,600 as compared to \$25,306,560 for the same period in 2008. Earnings after a provision for income taxes for the first nine months in 2009 were \$2,819,372 or \$0.58 per share as compared to \$1,757,936 or \$0.39 per share for the same period in 2008.

Overall demand for product in the first nine months of 2009 remained strong, driven by increased demand for product serving military customers while demand for commercial product remained steady. Sales growth was 15% over same period sales in 2008 and this is reflective of both increased military demand and improved production throughput. In September the Company received a 5 year requirements contract from the Defense Logistics Agency which has an estimated value of \$10,800,000 and a maximum value of \$20,700,000. The Company's backlog remains healthy but slightly decreased, reflecting continued strong demand for military product and a slight softening of demand for product serving the commercial segment of the market. The Company has experienced reduced new design activity from existing customers, reflecting a pull-back at commercial customers. In response the Company has launched increased efforts to capture business with new customers who are seeking a qualified supplier with low labor costs and/or who are experiencing poor service or poor product quality from competitors. We have found this to be an opportunity with significant potential.

The profitability of the Company increased to a 9.7% return on sales in the first nine months of 2009 as compared to 6.9% for the same period in 2008. This profit level is reflective of the efficiencies of volume, a focus on products and markets with the greatest margin contribution, and an organizational culture and structure that is lean and focused on improvement. It also is reflective of an increased utilization of our manufacturing facility in Nogales, Mexico, which has produced 56% of the product sold in the first 9 months of 2009.

The current economic conditions present a challenge to the Company and we continue to adapt to the many changes in our market. The management of the Company is driven to foster an organization that is recognized for its engineering innovation, product quality, and ability to consistently deliver product and customer support in a just-in-time environment.

I appreciate your continued interest and support.

Michael G. Moore
President