

Semco

INSTRUMENTS, INC.

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To Our Shareholders and Friends of the Company:

Sales for the first nine months of operation in 2008 were \$25,306,560 as compared to \$25,886,600 for the same period in 2007. Earnings after a provision for income taxes for the first nine months in 2008 were \$1,757,936 or \$0.39 per share as compared to \$1,878,054 or \$0.42 per share for the same period in 2007.

Demand for product in the first nine months of 2008 remained strong and comparable to that of the same period in 2007. Growth in sales, however, was flat and we believe this to be reflective of general economic conditions. The Company's backlog remains at an even level to the previous year and this represents continued demand for product in both commercial and military segments of the market. The Company continues to develop and qualify new products serving military aviation and commercial aviation as well as industrial gas turbine engine applications and we are confident that this will further strengthen our niche position.

The profitability of the Company remained at a level of 7% in the first nine months of 2008, similar to the same period in 2007. This profit level is reflective of the efficiencies of volume, a focus on products and markets with the greatest margin contribution, an increased utilization of our manufacturing facility in Nogales, Mexico, and an organizational culture and structure that is lean and focused on improvement.

The Company continues to adapt to the many changes in our market and is driven to distinguish itself through our engineering innovation, product quality, and our ability to consistently deliver our product and customer support in a just-in-time environment. The Company remains well positioned and correctly focused to grow in both sales and profitability.

I appreciate your continued interest and support.



Michael G. Moore
President