



INSTRUMENTS, INC.

25700 Rye Canyon Road, Valencia, California 91355
Telephone 661 257-2000
Facsimile 661 295-0044

10 May 2004

To Our Shareholders and Friends of the Company:

We have just received from our independent auditors, McGladrey & Pullen, our Certified Financial Statements for the year ending 31 December 2003 and wish to convey some of the highlights to you in advance of the annual report.

Net sales achieved by your Company in 2003 were \$20,342,240 as compared to 2002 sales of \$8,850,951. Pre-tax income was \$1,422,986 in 2003 as compared to 2002 pre-tax income of \$1,147,168, and net income was \$921,986 or \$0.21 per share in 2003 as compared to a 2002 net income of \$730,687 or \$0.17 per share.

The increase in sales was largely attributable to the contribution of the recently acquired assets of Atlas-Aero Corporation and the demand for product for the entire business continues to experience nominal growth. The reduction in the return on sales was the result of the lower margin product acquired from the Atlas-Aero Corporation as well as the interest expense and start-up costs. Considerable resources continue to be directed at the integration of the acquired product line and we anticipate an improvement in the return on sales in 2004 as we continue to align the business systems, organizational structure, and staffing of the acquisition to focus more clearly on efficiency and cost reductions.

The Annual Report for 2003 is currently in the preparation process and it will be mailed in June. Notice of the Annual Meeting of the Shareholders is also being prepared for mailing; the meeting is scheduled for 29 June 2004.

I am thankful for your continued interest and support.

Sincerely,

SEMCO INSTRUMENTS, INC.

Michael G. Moore
President



ISO 9001 Certified
Certificate No. FM 35623