

Semco

INSTRUMENTS, INC.

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14 February 2005

To Our Shareholders and Friends of the Company:

Unaudited figures for 2004 indicate sales of \$23,816,969 as compared to 2003 sales of \$20,342,240, unaudited pre-tax income of \$784,583 in 2004 as compared to 2003 pre-tax income of \$1,422,986, and an unaudited net income of \$470,583 or \$0.11 per share in 2004 as compared to a 2003 net income of \$921,986 or \$0.21 per share.

The performance of the Company was mixed in 2004. Demand for product in 2004 was strong and this was reflected in the level of sales and the volume in the order backlog. Additionally, the Company has positioned itself on several very promising commercial and military aircraft requirements that will further solidify the market position of our business in the areas of Sensors and Electrical Wiring Harnesses. Unfortunately, the level of profitability was damped in 2004 due to a number of factors. Among these factors were overtime premiums paid to increase capacity in order to meet customers increasing delivery requirements, margin pressures from certain customers, the costs of entry into a new market segment, and the costs incurred to align Atlas-Aero with the systems of Semco Instruments. Where these factors are recurring the Company is addressing the causes in order to enhance the level of profitability in the coming years.

In 2004 the Connecticut facility went "live" on the information system utilized at the California facility and this created the opportunity to begin the consolidation of various manufacturing support functions, design activities, and accounting systems. In addition, the Connecticut facility was audited and registered to the AS9100 Quality System standard by British Standards. We are currently preparing to move the Atlas-Aero business into a more suitable local facility in Connecticut in 2005.

The certified audit of our 2004 financial statements will be performed by our independent auditors, McGladrey & Pullen, LLP, and has been scheduled to begin in late March and complete in late April 2005. We anticipate the release of the audited 2004 figures in early May. The 2004 Annual Report and the Notice of the Annual Meeting of the Shareholders should be mailed in late May 2005.

I am thankful for your continued interest and support.

Sincerely,
SEMCO INSTRUMENTS, INC.



Michael G. Moore
President



ISO 9001 Certified
Certificate No. FM 35623