

Semco

INSTRUMENTS, INC.

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

15 February 2006

To Our Shareholders and Friends of the Company:

Unaudited figures for 2005 indicate sales of \$24,450,326 as compared to 2004 sales of \$23,772,804, unaudited pre-tax income of \$788,194 in 2005 as compared to 2004 pre-tax income of \$798,429, and an unaudited net income of \$512,194 or \$0.11 per share in 2005 as compared to a 2004 net income of \$534,429 or \$0.12 per share.

Fourth quarter performance of the Company remained mixed as it has been throughout 2005. Demand for product remained robust and this was reflected in the level of sales and the continued strength of the order backlog. Qualification hardware has now been produced and delivered for some of the newest commercial and military programs including the Boeing 787, the Airbus A380, and the latest Sikorsky helicopter variants. Additionally, the Company continues to have a significant level of additional new product development in process and these efforts will result in added production products in the near term.

The level of profitability continued to be damped in the fourth quarter and as a result the Company has focused considerable efforts on establishing a manufacturing facility in a low labor-cost location, Nogales, Sonora, Mexico. We are confident that these actions will improve the level of profitability as well as create increased market opportunities for additional sales.

The certified audit of our 2005 financial statements will be performed by our independent auditors, Hutchinson & Bloodgood LLP, and has been scheduled to begin in late February and complete in March 2006. We anticipate the release of the audited 2005 figures in April. The 2005 Annual Report and the Notice of the Annual Meeting of the Shareholders should be mailed in May 2006.

I am thankful for your continued interest and support.

Sincerely,



Michael G. Moore
President



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