

Semco

INSTRUMENTS, INC.

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5 February 2007

To Our Shareholders and Friends of the Company:

Unaudited figures for 2006 indicate sales of \$28,176,165 as compared to 2005 sales of \$24,448,701, unaudited pre-tax income of \$2,737,596 in 2006 as compared to 2005 pre-tax income of \$788,466, and an unaudited net income of \$1,779,596 or \$0.41 per share in 2006 as compared to a 2005 net income of \$489,466 or \$0.11 per share.

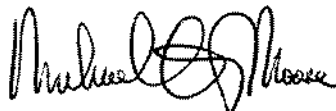
Fourth quarter performance of the Company remained strong as it has been throughout 2006. Demand for product remained robust and this was reflected in the level of sales and the continued strength of the order backlog. Qualification hardware has now been produced and delivered for some of the newest commercial and military programs including the Boeing 787, the Airbus A380, and some of the latest helicopter, business jet, and regional aircraft 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 requirements in the near term.

The level of profitability greatly improved in 2006 and this was the result of a focused effort directed at re-pricing or elimination of product with inadequate margin, an increase in the volume of new products in our most profitable market segments, and the achievement of cost reductions from our supply chain. The Company also continues to direct effort toward growing the capacity and level of shipments from our production facility in Nogales, Mexico.

The certified audit of our 2006 financial statements will be performed by our independent auditors, Hutchinson & Bloodgood LLP, and has been scheduled to begin in mid-February and complete in March 2007. We anticipate the release of the audited 2006 figures in April. The 2006 Annual Report and the Notice of the Annual Meeting of the Shareholders should be mailed in May 2007.

I am thankful for your continued interest and support.

Sincerely,



Michael G. Moore
President