

Semco

INSTRUMENTS, INC.

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14 July 2004

To Our Shareholders and Friends of the Company:

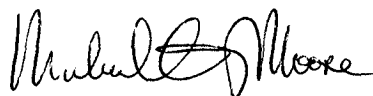
Sales in the first six months of operation in 2004 were \$11,668,906 as compared to \$9,504,407 for the same period in 2003. Earnings after a provision for income taxes for the first six months in 2004 were \$278,769 as compared to \$537,659 for the same period in 2003.

Demand for product in the first 6 months of 2004 showed a modest level of increase and this was reflected in the level of sales and the continued strength of the order backlog. The products of both Semco Instruments and Atlas-Aero maintain a strong niche position wherein many of these products are in a sole-source position for requirements that must be fulfilled for an aircraft to continue operating. The Company currently has several new products being qualified for new applications and the Company continues to explore opportunities for new applications for our existing product technology. We believe that the combined product offering of both Semco Instruments and Atlas-Aero will create an opportunity for additional business growth based upon customers' desire for fewer suppliers.

The Company has experienced a reduction in profitability in 2004 due largely to the expenditure of additional resources needed to align Atlas-Aero with the systems of Semco Instruments. Considerable effort continues to be directed at implementing a lean operating system, an upgraded information system, and measurements that will direct on-going process improvements. In addition, the Atlas-Aero facility is preparing for registration to the AS9100 Quality System standard and expects to complete the initial audit in September 2004.

We remain confident in our ability to grow both the sales and profitability of the business.

I appreciate your continued interest.



Michael G. Moore
President



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