

Semco

INSTRUMENTS, INC.

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To Our Shareholders and Friends of the Company:

Sales in the first six months of operation in 2005 were \$11,962,813 as compared to \$11,668,906 for the same period in 2004. Earnings after a provision for income taxes for the first six months in 2005 were \$235,298 as compared to \$278,769 for the same period in 2004.

Demand for product in the first 6 months of 2005 remained robust and this was reflected in the level of sales and the continued strength of the order backlog. The Company maintains a strong niche position in a segment of the aerospace market that continues to experience growth and the Company continues to develop products that share in this growth. Products are currently being qualified for some of the newest commercial and military programs including the Boeing 787, the Airbus A380, and the latest Sikorsky helicopter variants. These efforts will result in added production requirements starting in 2006.

The Company continues to experience a damped level of profitability due to numerous factors which are both recurring and non-recurring. Where these factors are recurring, the Company is addressing the causes by adding additional production operators in order to minimize overtime premiums, abandoning product which does not achieve the appropriate return, and working to constrain or pass through to customers the material cost increases which we have been forced to absorb. While there is no quick fix to the level of profitability, we are determined to make the systemic changes that will bring the required improvement. We remain confident in our ability to grow both the sales and profitability of the business.

Your continued interest and support are appreciated.



Michael G. Moore
President



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