

# **Semco**

**INSTRUMENTS, INC.**

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To Our Shareholders and Friends of the Company:

Sales in the first six months of operation in 2006 were \$13,576,137 as compared to \$11,962,813 for the same period in 2005. Earnings after a provision for income taxes for the first six months in 2006 were \$493,164 as compared to \$235,298 for the same period in 2005.

Demand for product in the first 6 months of 2006 was robust and this was reflected in the 13% increase in sales and the continued strength of the order backlog. The increase in sales was largely driven by increased demand from our customers for existing products and new products entering production. As of this writing, the Company has an unprecedented number of new products in the design and qualification process; these products will contribute to further sales growth in the coming years.

The Company has been actively working to improve the level of profitability by eliminating non-contributing product, pursuing cost reductions from our supply chain, and continuing to seek improvement in all our processes. In addition, resources continue to be directed at the establishment of our production facility in Nogales, Mexico, which is now contributing to production shipments.

Your continued interest and support are appreciated.



Michael G. Moore  
President