



**INSTRUMENTS, INC.**

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

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To Our Shareholders and Friends of the Company:

Sales in the first six months of operation in 2007 were \$16,664,821 as compared to \$13,576,137 for the same period in 2006. Earnings after a provision for income taxes for the first six months in 2007 were \$1,102,635 or \$0.25 per share as compared to \$493,164 or \$0.11 per share for the same period in 2006.

Performance of the Company in the first six months of 2007 remained strong as it has been throughout 2006. Demand for product remained robust and this was reflected in the 23% increase 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 and the Company continues to have a significant level of additional new product development in process; these efforts will result in added production requirements in the near term.

The level of profitability continued to improve in 2007 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, the achievement of cost reductions from our supply chain, and a reduction in labor costs through our Mexico facility. The Company's production facility in Nogales, Mexico is growing in its contribution to the business performance and we will continue to direct effort toward further increases in capacity and level of shipments.

Your continued interest and support are appreciated.

Michael G. Moore  
President