

Semco

INSTRUMENTS, INC.

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To Our Shareholders and Friends of the Company:

Sales for the first nine months of operation in 2006 were \$20,497,398 as compared to \$18,073,840 for the same period in 2005. Earnings after a provision for income taxes for the first nine months in 2006 were \$827,656 as compared to \$344,168 for the same period in 2005.

Demand for product in the first nine months of 2006 remained robust and this was reflected in the 13% increase in 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. 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 A400, several new business jets, the latest Sikorsky helicopter variants, as well as several industrial applications. These efforts will result in added production requirements in the current and future years.

The Company continues working to improve the level of profitability. The production facility in Nogales, Mexico, is growing in its production capacity and the level of shipments being manufactured there is accelerating. The Company also remains focused on eliminating non-contributing product, pursuing cost reductions from our supply chain, and continuing to seek improvement in all our processes.

The Company continues to adapt to the many changes in our market and continues to distinguish itself through our engineering innovation, our product quality, and our ability to consistently deliver our product and customer support in a just-in-time environment. The Company remains well positioned and correctly focused to grow in both sales and profitability.

Your continued support is appreciated.



Michael G. Moore
President