

Semco

INSTRUMENTS, INC.

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To Our Shareholders and Friends of the Company:

Sales for the first nine months of operation in 2007 were \$25,886,600 as compared to \$20,497,398 for the same period in 2006. Earnings after a provision for income taxes for the first nine months in 2007 were \$1,878,054 as compared to \$827,656 for the same period in 2006.

Demand for product in the first nine months of 2007 remained robust and this was reflected in the 26% increase in sales and the continued strength of the order backlog. The demand for product was strong in both commercial and military segments of the market and the Company is well positioned to support requirements within these market segments from our niche position. The Company continues to develop and qualify new products serving military aviation and commercial aviation as well as industrial gas turbine engine applications and we are confident that this will further strengthen our niche position, allowing further growth in sales in the coming years.

The profitability of the Company grew 127% in the first nine months of 2007 as compared to the same period in 2006. Profit growth is reflective of the efficiencies of increased volume, a focus on products and markets with the greatest margin contribution, an increase utilization of our manufacturing facility in Nogales, Mexico, and an organizational culture and structure that is lean and focused on improvement.

The Company continues to adapt to the many changes in our market and is driven 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.

I appreciate your continued interest and support.



Michael G. Moore
President