

Semco

INSTRUMENTS, INC.

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13 February 2004

To Our Shareholders and Friends of the Company:

Unaudited figures for 2003 indicate sales of \$21,562,083 as compared to 2002 sales of \$8,850,951, unaudited pre-tax income of \$1,462,944 in 2003 as compared to 2002 pre-tax income of \$1,147,168, and an unaudited net income of \$812,944 or \$0.19 per share in 2003 as compared to a 2002 net income of \$730,687 or \$0.17 per share.

The increase in sales was largely attributable to the contribution of the recently acquired Atlas-Aero Corporation and the reduction in the return on sales was also attributable to the acquisition. Costs contributing to this reduction in the return on sales included start-up costs, interest expense, and an increase in the costs of material for on-going production requirements. We anticipate an improvement in the return on sales in 2004 as we continue to align the business systems, organizational structure, and staffing of the acquisition to focus more clearly on efficiency and cost reductions.

Product demand remained constant during the first three quarters of 2003 and an increase in demand was experienced in the fourth quarter; product demand in the first quarter of 2004 has increased sharply. The Company has continued to capture new business opportunities in the gas turbine engine market. We are finding that our broadened product offering has created additional opportunities for the products of the Company.

The certified audit of our 2003 financial statements will be performed by our independent auditors, McGladrey & Pullen, LLP, and has been scheduled to begin in late March and complete in late April 2004. We anticipate the release of the audited 2003 figures in early May. The 2003 Annual Report and the Notice of the Annual Meeting of the Shareholders should be mailed in late May 2004.

I am thankful for your continued interest and support.

Sincerely,

SEMCO INSTRUMENTS, INC.



Michael G. Moore
President



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