

Dear Fellow Shareholders,

2003 marked thirty years since Intelligent Systems was founded to develop and bring to market the industry's first color graphics terminal. After thirty years, we are still building entrepreneurial companies that are developing innovative products for business applications.

We accomplished a number of our goals this year. Our established operating companies, QS Technologies and ChemFree, achieved record levels of revenue and profit. Our earlier stage software companies, VISaer and CoreCard Software, each made tremendous progress developing and introducing to their respective markets their first versions of next-generation software products. We lowered our loss from operations while continuing to invest in significant software development activities and to build a base of initial customer installations.

In 2004, our focus is to reduce the cash requirements at our emerging companies while continuing to build on the progress made in 2003. With the continued support of our customers, the dedication of our employees and the careful management of our resources, we believe we can meet this challenge.

I would encourage each of you to read the expanded sections in this Form 10-K relating to our business and management's analysis and discussion of our 2003 results for a more complete understanding of our progress, challenges and plans. I would also invite you to visit our website to listen to our quarterly webcasts during 2004.

In closing, special thanks are extended to Donald McMahon for more than twenty years of service on our company's board of directors. Don, who first became a director of Intelligent Systems when the company went public in the early 1980's, retired from the board at the end of 2003. We will all miss Don's business experience, thoughtful advice and long history with the company and we wish him the best in his well-deserved retirement.



J. Leland Strange
President and Chief Executive Officer