
LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

Let me start by reviewing a recent development involving our VISAer subsidiary. In early April, we announced the pending sale of the principal assets of our VISAer business to IBS Technics, Inc., a U.S. based subsidiary of IBS PLC, a global company headquartered in Bangalore, India. We will receive approximately \$3.0 million cash plus additional payments in the next three years for the VISAer software, intellectual property, fixed assets and customer contracts. IBS Technics will hire VISAer's employees and assume approximately \$750,000 of liabilities as well as the obligation to perform under customer contracts. We will retain cash, accounts receivable and other liabilities of VISAer. The sale is expected to close no later than April 30, 2008 pending satisfaction of certain closing conditions.

It has become increasingly apparent to us that to compete successfully in the challenging global market for aviation software, having a very good software product is not enough; customers expect a full service company with strong financial and global support capabilities. Together, IBS and VISAer will provide a compelling product and service offering. While this is a disappointing financial return for Intelligent Systems, we believe it is the right choice at this time and will provide continuity for VISAer employees and customers.

With the sale of the VISAer business, we will have two operating companies, ChemFree and CoreCard Software, in addition to several investments in privately held companies in which we are a minority investor.

ChemFree achieved record revenue and profits in 2007, with overall sales growth of 70 percent year-over-year. In 2007, ChemFree's domestic revenue increased by 74 percent and international sales grew by 44 percent. These results demonstrate not only ChemFree's ability to produce a superior product based on its proprietary SmartWasher® design, but also growing global demand for automotive and industrial parts cleaners which are environmentally responsible and improve workplace safety. It is too early to tell whether ChemFree will achieve the same strong growth in 2008. ChemFree's profits would have been significantly higher in 2007 had it not incurred over a million dollars in ongoing legal expenses for a patent infringement action we initiated in 2004. Although expensive, we continue to believe this legal action is important to preserve and build ChemFree's value over the long-term.

CoreCard's revenue from software sales and services more than tripled in 2007 compared to 2006. However, these results were lower than anticipated because several long-term contracts, originally scheduled for 2007, are now expected to be recognizable for GAAP purposes in 2008. The robustness and flexibility of CoreCard's transaction processing engine allow us to tailor our software to fit customers' particular work processes. While desirable, these features also mean that customer requirements and project scope often increase over the life of the contract and delay the implementation and go-live date which allows us to recognize the contract revenue.

One of CoreCard's target markets is financial services firms that process the growing market for prepaid cards such as gift, fuel and payroll cards to name just a few. We are encouraged by the response to our initial marketing efforts and believe CoreCard's prepaid software is an attractive alternative capable of handling both simple and complex revolving credit programs and can be implemented by customers relatively quickly.

This document includes our 2007 Annual Report on Form 10-KSB, notice of the 2008 Annual Shareholders Meeting to be held May 29th and the 2008 Proxy Statement. Throughout the year, our SEC-filed reports are available on our web-site at www.intelsys.com. Thank you for your continued interest in our company.


J. Leland Strange
President and Chief Executive Officer

April 2008