
LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

Annually, when I write this Letter to Shareholders, I take a look at last year's letter to see what my review said about the prior year as well as what I said about the current year. Since the annual letter does not reach our shareholders until almost the middle of the year, I feel the current year discussion is as relevant - or more so - than reviewing the past year. In 2015, overall I believe we accomplished what we discussed and have established good forward momentum for 2016.

The sale of our ChemFree subsidiary in March 2015 for \$21+ million was a positive transaction for everyone involved, allowing us to realize the value that we had built over a number of years. The buyer, CRC Industries, has proven to be a good strategic fit for ChemFree's bioremediating SmartWasher® business while the transition for our former employees and operations was seamless and very cooperative. We are delighted that CRC is able to distribute the SmartWasher® more effectively than ChemFree could ever have done when owned by Intelligent Systems, as a result of CRC's established global presence. In addition to cash of just over \$19 million which we received from the sale in 2015, the remaining \$2.2 million cash will be released when the escrow period ends on September 30, 2016; we are not aware of any potential claims or withholdings at this time.

We returned part of the ChemFree sale proceeds to Intelligent Systems' shareholders as we had indicated was likely. First, we completed a modified Dutch Auction tender offer in which we bought all tendered shares at \$3.00 per share, reducing the number of shares of our outstanding common stock. It was both gratifying and disappointing that so few shareholders accepted the \$3.00 tender offer. Although management certainly felt that the stock was worth more and did not participate, given the trading patterns at the time and the stock price history, we felt that was the right price to offer. Second, we paid a special cash dividend of \$0.35 per share on February 8, 2016 to shareholders of record on January 29, 2016.

With the sale behind us, we are now positioned solely in the industry known as FinTech, at the intersection of technology and financial services. The CoreCard operations, with almost 250 employees at the U.S., Romania and India companies, are now our main business and the focus of management time and resources. Over the past ten years, we have steadily developed an experienced team of technical professionals, with deep understanding of the financial payments space and CoreCard's robust technology platform and software. With approximately 215 technical employees in our own building in Bhopal, India and a smaller team in Timisoara, Romania, we have built a valuable asset that allows us to be a lower cost provider of quality software and processing services. Many of our key technical and management employees have been with us over ten years; indeed over 45% of our offshore employees – software developers, business analysts, quality assurance and operations support - have been with us more than five years, unusually long tenure in this market. Our Atlanta senior management team also averages over ten years with us. We believe the investment in developing our technical team will continue to pay dividends over the long term.

In 2015, we continued to add both license and processing customers, growing total revenue by 14% compared to 2014. We expect to continue this expansion in 2016, being mindful that our technology solution, whether licensed by our customers or running in our own processing center, is a critical system of record for our customers that is not easily replicated or transferred. Our software platform is robust and flexible, capable of managing a broad spectrum of financial “accounts”, whether it is used for prepaid cards, consumer loans, credit cards, fleet cards, business-to-business credit or loyalty programs, and can be configured to meet each customer’s business requirements.

While we continue to invest in the infrastructure and people to scale our business and to support more rapid growth, we remain open to strategic opportunities or transactions that would benefit all our shareholders and that reflect the value we believe we have created in our FinTech business.

A handwritten signature in blue ink, appearing to read "J. Lalal Stray". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

President and Chief Executive Officer