

Ladies and Gentlemen, Dear Shareholders,

On behalf of the Management Board of LSI Software S.A., I am pleased to provide you with the financial statement for the subsequent year during which the Company achieved its development goals. LSI Software S.A. continued its growth strategy based on the development of its own products and their sale both on the domestic and on the export market. With a wide range of modern and comprehensive IT solutions for the target industries and high quality of services, LSI Software S.A. is now recognized as one of the leading suppliers in Poland.

In connection with the dynamic development of foreign operations, the Company has established a new subsidiary, LSI Software s.r.o. in Prague and set up cooperation with partners operating in the markets of Western and Eastern Europe as well as South America. For 2017, further capital investments on foreign markets, including in the United States of America, are planned.

The Company has also strengthened the activity in promoting its offer on international markets, which is reflected in Company's participation in numerous trade fairs outside Poland. The last of them was CinemaCon in Las Vegas, which allowed the Company to present POSitive® Cinema to customers around the world, including US cinema networks. This product, despite its relatively short life span, is currently enjoying a great deal of interest in the movie industry, which, according to the Board, will have a positive impact on the financial results of LSI Software S.A. in 2017.

Assuming long-term and sustainable development, the Company invests in new solutions and improves existing IT products. Expenditures on research and development are financed both with own funds and with European funds raised.

While assessing the current financial position of the Company, one must mention the agreement concluded on 1 February 2017 regarding with the purchase of shares in Przedsiębiorstwo Projektowo - Wdrożeniowe "GiP" Sp. z o.o. with its registered office in Warsaw. In the opinion of the Management Board, the conclusion of the above mentioned transaction gives a strong basis to increase the revenue growth and profitability of the Group in subsequent periods, as confirmed by the forecasted results after the first quarter of 2017. The product offer of a new subsidiary will also be an additional incentive to intensify activities associated with the internationalization of business through expansion into another European markets.

Recently, the Company has received several significant awards and distinctions, including:

- award for POS Display application on Posiflex LM-620 monitor in the competition "Trade Innovation 2016" in the category: "Marketing Systems, POS and Digital Signage",
- award for Roomio application in the competition for the best offer during the 9th International Hotel Facilities Equipment Trade Fair World Hotel 2016 in the category: "New technologies in hotel management".

I believe that in the near future LSI Software S.A. will continue to be successful in strengthening its market position as a leading IT solutions provider, thus creating value for both shareholders and employees. At the same time, on behalf of the entire Management Board, I would like to thank all those who in the past year contributed to the development and building of a strong and innovative company which is undoubtedly LSI Software.

**President of the Management Board
Bartłomiej Grduszak**

Łódź, 28 April 2017
