To Our Shareholders,

Our 2017 results were disappointing. CSI Consolidated sales were $83.2 million, down from $99.4 million in 2016, driven largely by continuing difficulties in our Suttle business.

Despite the difficulties with Suttle, solid progress in the development of new products in the rest of the CSI portfolio will position us for a growth restart during 2018.

Looking at the businesses in turn then, Transition Networks had a good year. The business has now achieved six consecutive quarters of profitable operations, and would have achieved sales growth for the year had it not been for substantial disruptions in our supply chain from contract suppliers of critical new products. The business looks very well placed for stronger 2018 growth based on our new POE (Power over Ethernet) lines as well as expansion in our Federal business, which had been slower due to program delays in 2017.

Suttle continued to struggle with managing the volume declines of an aging product portfolio, pricing pressure from major telecommunication customers, and a change in distribution strategy from Tier I Telecoms to installers and cable TV suppliers. Substantial charges were taken in 2017, as the Suttle business was right sized during the year. These actions are mostly completed and the business is now increasingly focused on building out a new line of relevant products for residential markets that desire a "securely wired" high-speed home network. This new market is experiencing substantial growth. We believe that Suttle is well placed to take advantage of this.

JDL's 2017 business was primarily affected by the end of the wireless installation upgrade cycle at the key education customer with whom JDL has a five-year contract. The upgrade cycle is anticipated to restart again on its next phase in the second half of 2018. Secondly, growth in our new cloud-based commercial service business was limited with slower than expected sales growth in Healthcare and other markets. We made cost-structure adjustments in our commercial operations and JDL's operations remained profitable for the year, excluding the goodwill impairment charge taken in the second quarter. We remain positive about the longer-term prospects for this service business.

Net2Edge's aging Patapsco business line continued to decline in 2017, whilst its new product initiatives focused on Carrier Ethernet network edge transformations were slightly delayed.
However, a completely new product line of five new products was completed before year's end; these products are now in test at several of the largest telecoms across the globe. Although risk remains with this program, we anticipate a strong 2018 as approvals are achieved.

Operational excellence programs remained a high priority across the company with over 30 Green Belts now in place. The result of this focus can be seen in our continuing strong balance sheet driven largely by superior inventory management. We anticipate that this focus will continue in 2018.

Managing the transformation of a fifty-year-old technology business has not been easy. Both 2016 and 2017 were extraordinarily difficult years for our employees. Our reality is, however, that employee morale remains high and confidence in the future is evident across the organization as we see our possibilities and we thank each employee for their support and endeavor as we look forward to a substantially better 2018.

Sincerely,

Roger Lacey

Roger H.D. Lacey
Vice Chairman & CEO