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Dear Fellow Shareholders:

We had a good year in 2016. We increased revenue by 19% and continued to make significant progress in our mission to improve global air traffic efficiencies by connecting the world's aviation professionals onto a single aviation intelligence platform.

During Fiscal Year ("FY") 2016, the Company installed PASSUR's new Surface Management System at three airports for two of the largest U.S. airlines with two additional installations to be completed during FY 2017.

Additionally, the Company has sold its latest Flight Predictability solution, XETA, to two of the five largest US airlines. The PASSUR XETA solution provides the industry's most accurate prediction of a flight's arrival time from the moment it leaves the departure gate. XETA powers all critical operational systems that depend on a predicted arrival time, producing cost savings and enterprise-wide operational improvements. Customers find that XETA provides the most accurate data in the industry providing them with sufficient lead time to make improvements in critical areas of their operations, enabling them to achieve faster turn times, shorter taxi times and shorter delays, resulting in more efficient use of gate and ramp capacity and ground crew staffing. Collateral benefits include lower fuel usage, better crew management, and improved flight connections.

Total revenue for FY 2016, ending October 31, 2016, was \$14.9 million, an increase of 19%, compared with \$12.5 million in FY 2015, as a result of significant new business from our largest airline customers. Income from operations for FY 2016 was \$1.2 million, an increase of 34% compared with \$0.9 million for FY 2015. Net income for FY 2016 was \$435,000, or \$0.06 per diluted share, an increase of 56%, compared with \$279,000, or \$0.04 per diluted share, for the prior fiscal year.

Other highlights include:

- The Company won a competitive bid from RTCA (Radio Technical Commission for Aeronautics) to provide to the FAA-Industry Joint Analysis Team ("JAT") of the NextGen Advisory Committee the aviation industry's first dashboard for reporting on and analyzing air transportation system performance improvements attributable to the deployment of key NextGen capabilities. JAT is a 32-member federal advisory committee established in 2010 to provide advice on policy-level issues facing the aviation community in implementing NextGen, and includes a cross section of executives from the airlines, airports, general aviation, pilots, air traffic controllers, the Department of Defense, environmental interests, international interests, and providers of air traffic control technology.
- The Company announced a partnership with AirMap, the leading drone airspace management platform. The partnership will make available real-time data about manned aircraft flights from PASSUR's commercial passive radar and ground-based flight surveillance network to the many drone innovators and app developers who use AirMap's developer platform.
- The Company expanded its airport-airline collaborative network by including six new airports. This network is a real-time platform which provides close coordination and information sharing between airlines and airports, used by them to manage complex or disrupted operations, to improve efficiency, reduce costs, and enhance the passenger experience.

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During FY 2016, the Company launched several new products as well as enhancements to existing products:

- PASSUR Intelligent Query (P-IQ), which supports airlines and airports and helps them achieve their most important operational objectives - efficiency gains, revenue optimization, and cost savings on a daily basis. It automatically provides alerts, which identify real time actions to help achieve the customer's goals.
- A new release of ATC Portal, with enhanced automatic updating of arrival and departure demand at an airport, enables airlines and airports to proactively anticipate disruptions and make adjustments to minimize costs and passenger disruptions.
- A new release of Web Tracker, PASSUR's flagship flight, airport, and airspace visualization solution, which provides greater flexibility and speed to customers and enables them to customize their screens to reflect specific operating environments, workflow requirements, as well as key operational and business metrics.

New versions of PASSUR Departure Metering and Sequencing at multiple airports enable airlines to prioritize high-value flights, reduce the number of aircraft waiting to take off, as well as sequence arrivals and departures to most efficiently use gates.

During FY 2016, the Company was awarded two new patents. The Company now has twenty-three patents, with sixteen additional patents pending.

We believe PASSUR is in a unique position to help the aviation industry improve operational efficiency in a number of critical areas:

- Our Flight Predictability product is the industry leader. We expect it to be at the heart of any future system.
- Our Traffic Flow Optimization and Surface Management solutions that identify constraints and predict capacity imbalances are unique in the industry.
- Lastly, our experts have been involved for years in high-level discussions of the future of the National Airspace. They have a strong futuristic vision and also understand what is achievable based on the capabilities of the government and the realities of how airlines operate today.

We are encouraged by our positive FY 2016 momentum and look forward to continued profitable growth.



James T. Barry
President & Chief Executive Officer



G.S. Beckwith Gilbert
Chairman of the Board