

Butler National Corporation
19920 West 161st Street
Olathe, Kansas 66062

Our Fifty-Seventh Year of Operation
Our Forty-Ninth Year of Public Ownership

PRESIDENT'S LETTER

To Each Shareholder:

Management is focused on increasing value from increased cash generation, earnings growth, and prudently managing capital expenditures. We plan to accomplish this by continuing to drive revenue from product and service innovations, product solutions to address the increasing regulatory requirements, strategic acquisitions, and targeted marketing programs.

The global economy continues under many kinds of pressure. We have faced recession, uncertainty, and a high degree of volatility for several years. Throughout these times, we have worked to develop the foundation for growth including strong domestic and international growth. In fiscal year 2017 revenue was \$50,619,000. Net income after taxes was \$1,534,000. Both revenue and net income were up from fiscal 2016. Fiscal year 2017 was challenging for Butler National and the future creates even more significant hurdles as we move forward with a United States dollar that is more expensive for our customers and a world with more uncertainty.

The foundation for our future growth is positive. Our Aerospace Products are increasingly focused on international markets and regulatory compliance solutions that represent a foundation for growth despite recent struggles. The emerging markets continue to lead the recovery of an uncertain global economy including key markets in Latin America, South America, Africa, and Asia. This growth in the global aerospace industry creates new demand for Butler National products and services including complex structural modifications, STC approved avionics, and maintenance, repair, and overhaul (MRO). The demand by our international customers for Aerospace Products is very dependent on the value of the US dollar compared to their local currency. Potential orders are delayed or projects cancelled when the US dollar increases in relative value. Our Professional Services, anchored by the Boot Hill Casino, continue to remain profitable despite the current economic challenges.

As we work to grow and expand our business, some of our business segments are impacted by a shift in our product mix through the addition of lower margin products (avionics and gaming) resulting in an overall drop in margin as the demand slows for the high-margin proprietary special mission products. We are working to overcome these challenges. Please review our Annual Report on Form 10-K for additional information.

Financial Results

Brief comparative information for the fiscal years ending April 30:

(Dollars in thousands)	2017	2016	2015	2014	2013
Total Revenues	\$ 50,619	\$ 44,794	\$ 47,062	\$ 47,271	\$ 49,152
Net Income (loss)	1,534	24	27	112	(148)
Cash	6,385	7,381	6,195	6,261	5,148
Assets	42,778	42,697	41,598	41,678	43,860
Shareholders' Equity	28,296	26,098	25,402	24,354	23,574
Backlog	10,815	7,604	9,099	5,614	3,309

Our revenue is primarily derived from two very different business segments; Aerospace Products and Professional Services. These segments operate through various Butler National Corporation subsidiaries and affiliates listed on Exhibit 21 of the attached Annual Report to the Securities and Exchange Commission on Form 10-K.

Revenue	2017	2016	2015
Professional Services	60.9%	66.5%	65.4%
Aerospace Products	39.1%	33.5%	34.6%

Assets	2017	2016	2015
Professional Services	51.1%	52.6%	52.0%
Aerospace Products	48.9%	47.4%	48.0%

Our Auditors

RBSM, LLP, a New York based firm of independent public accountants, audited Butler National records for fiscal year 2016 and 2017. I encourage you to review the detailed discussions of Butler National's operations in Item 7 of the attached Annual Report to the Securities and Exchange Commission on Form 10-K.

Cautionary Statement

In the Aerospace Products segment, the Federal Aviation Administration (FAA) or a foreign equivalent agency regulates the civilian aircraft industry and many times the governmental customers require conformity to these regulations. All new modification and avionics products require testing and approval by the regulatory agencies. If and when approved by the regulators, there can be no assurance that the aircraft manufacturers will acknowledge the products or that the manufacturers will allow the operators to purchase and use a product not produced by the original manufacturer or its designee.

In the Professional Services segment please note that, even in consideration of current facts, there is always a risk that no additional Indian agreements will materialize or that the National Indian & Gaming Commission and/or the Secretary of Interior may not approve future Indian agreements. In addition, there can be no assurance that any state will approve a Class III Compact with Indian tribes or that Kansas will not repeal the Kansas Expanded Lottery Act (known as SB 66) that allows the State to own and operate casino games. There can be no assurance that Kansas will extend our current agreement with the State to manage the Boot Hill Casino and Resort.

Butler National Strategy

Our long-term plan is for our two segments to grow into independent businesses. We remain determined and dedicated to the sense of urgency and entrepreneurial spirit enabling Butler National to have some flexibility to meet new challenges and seize new opportunities.

We recognize that strategic development plans do not produce instant results. However, we believe that we have changed the business potential of Butler National Corporation by growing the company product lines, establishing a worldwide base of customers and working to stabilize the annual operations in both business segments. This strategy requires considerable international marketing expense and significant product development investment.

Our Commitment to the Future

While we still have a great distance to travel before the realization of our goals, I am pleased to report to each of you that our Company continues to have exciting opportunities each day. We have set our sights on achieving profitable long-term growth for Butler National Corporation.

On behalf of all of us at Butler National, I want to thank each shareholder for your continued advice, cooperation and support.

Thank you for your continued support of Butler National Corporation.

Sincerely,



Clark D. Stewart
President and Chief Executive Officer

July 21, 2017