

The Power of



The Power of Focus

When you narrow your focus, you can see more clearly, pay attention to the smallest details, and zero in on what is ahead. When you reduce the number of things you are focusing on, you get a new perspective of how those things can work together and have more resources to invest in each. This is why focus can be a powerful business tool.

In fiscal year 2015, our mission at AAR was to focus on what we do best and do it even better.






AVIATION SERVICES

Focus on Solutions

The top names in commercial aviation and leading military forces rely on AAR as an extension of their own operations and maintenance teams, parts warehouses, and purchasing departments. As a solutions integrator, we can provide everything customers need (even pilots), when they need it, around the world. AAR is a single source of efficiency and cost savings. We provide more than services, we deliver solutions.

1955
2015



AVIATION SERVICES

INVENTORY MANAGEMENT

AAR created a *full-service Consumable and Expendable (C&E) package for a major U.S. airline*. The custom program supporting the airline's maintenance & operations center includes a guaranteed fill rate for over 40,000 items; all planning, procurement & supply chain management; complete receiving & inspection processes; ERP system integration; and on-site program management.

Results: AAR ramped up quickly to meet the program-required service level and helped the airline reduce its inventory holdings, as well as C&E management overhead.

AAR is an integrator of aviation maintenance services. Our *full menu of capabilities* ranges from a single maintenance check, to a complete rotatable components program, to a package of these and more. We leverage our award-winning MRO expertise, parts supply experience, global warehouse network and seamless IT platforms to create custom solutions that increase efficiencies and decrease costs for our customers.

Supply Chain

This year, we helped a record number of customers unlock the value in their supply chain. We used the *rotatable parts pool* in our new Brussels warehouse to support power-by-the-hour contracts for commercial fleets in Europe and Africa. We also signed inventory support deals with the UK MoD to supply and *repair critical components for its BAE146 fleet* and with Bell Helicopter to *provide logistics support for T64 engines*. We expanded our exclusive *OEM distribution program* with Eaton to serve not only defense but also commercial operators for the next 10 years.

1MRO Network

We optimized the North American footprint of our *1MRO network of airframe maintenance facilities* to respond to today's market and plan for the future. We consolidated our regional aircraft maintenance work by exiting our hangar in Hot Springs, Arkansas and transferring the work to our Oklahoma City facility. To serve the next generation of aircraft and meet the demand for wide-body work, AAR opened a new hangar at our Lake Charles facility and announced plans for a *new MRO facility in Rockford, Illinois*.



Focus on Safety

AAR's unwavering commitment to safety continues to be recognized by the **FAA's Diamond Award of Excellence** and by the airlines that put their trust in us. Customer confidence in the airworthiness of AAR's maintenance work is evidenced by our **many long-term partners**. For example, we have performed MRO work on Alaska Airline's fleet of Boeing 737s and 737 NGs for the past 12 years and delivered the 500th aircraft this year.

EXPEDITIONARY SERVICES

SEARCH AND RESCUE

AAR Airlift demonstrated its expanded capabilities by winning a UK Ministry of Defense (UK MoD) contract for search and rescue (SAR) and support helicopter services in the Falkland Islands. The program includes flight operations, maintenance, logistics and facility support. The mission involves all-weather SAR, emergency medical services, rescue hoist operations and night vision imaging systems.

AAR's Expeditionary Services businesses supply shelters, command and control (C4) systems, cold chain containers, and airlift operations for military and humanitarian missions. Our airlift and mobility groups are equipped to provide the precise level of service our customers require, from long-term embedded operational support to technical expertise supporting government fleets in dynamic environments.

Airlift

AAR airlift has expanded its customer and geographical reach. Over the course of the year, ***Airlift added three new Africa-based operations*** to its portfolio. The group provides dedicated fixed- and rotary-wing lift services to U.S. Africa Command in four central African countries. Airlift was also awarded a U.S. Navy contract to provide personnel recovery airlift services in West Africa from a base in Niger. Airlift built on its African presence by ***winning a UN contract for charter air services*** in support of peacekeeping missions in central Africa - the first helicopter contract the UN awarded to a U.S. company in over 20 years.

Mobility

AAR's mobility group continues to be a market leader in supporting troops with shelters, containers, and pallets. We continue to grow market share as a Tier 1 supplier of rack-ready integrated mobile shelters for defense prime contractors, including Raytheon and Northrop Grumman. Our flexible business model also allows us to supply Small Business prime contractors. As part of our efforts to respond to market demand for innovative logistics solutions, AAR acquired PharmaPort 360 temperature-controlled container technology and has ***created a Cold Chain Solutions business*** to deliver it for both commercial and military use.



Focus on Support

We can support the U.S. military and its allies anywhere in the world. AAR's expeditionary services transport people and supplies, and can provide shelters and command centers, in the world's harshest and most remote environments. We have applied our experience operating in Afghanistan to new missions in Africa, Iraq and South America.

Focus on Social Responsibility

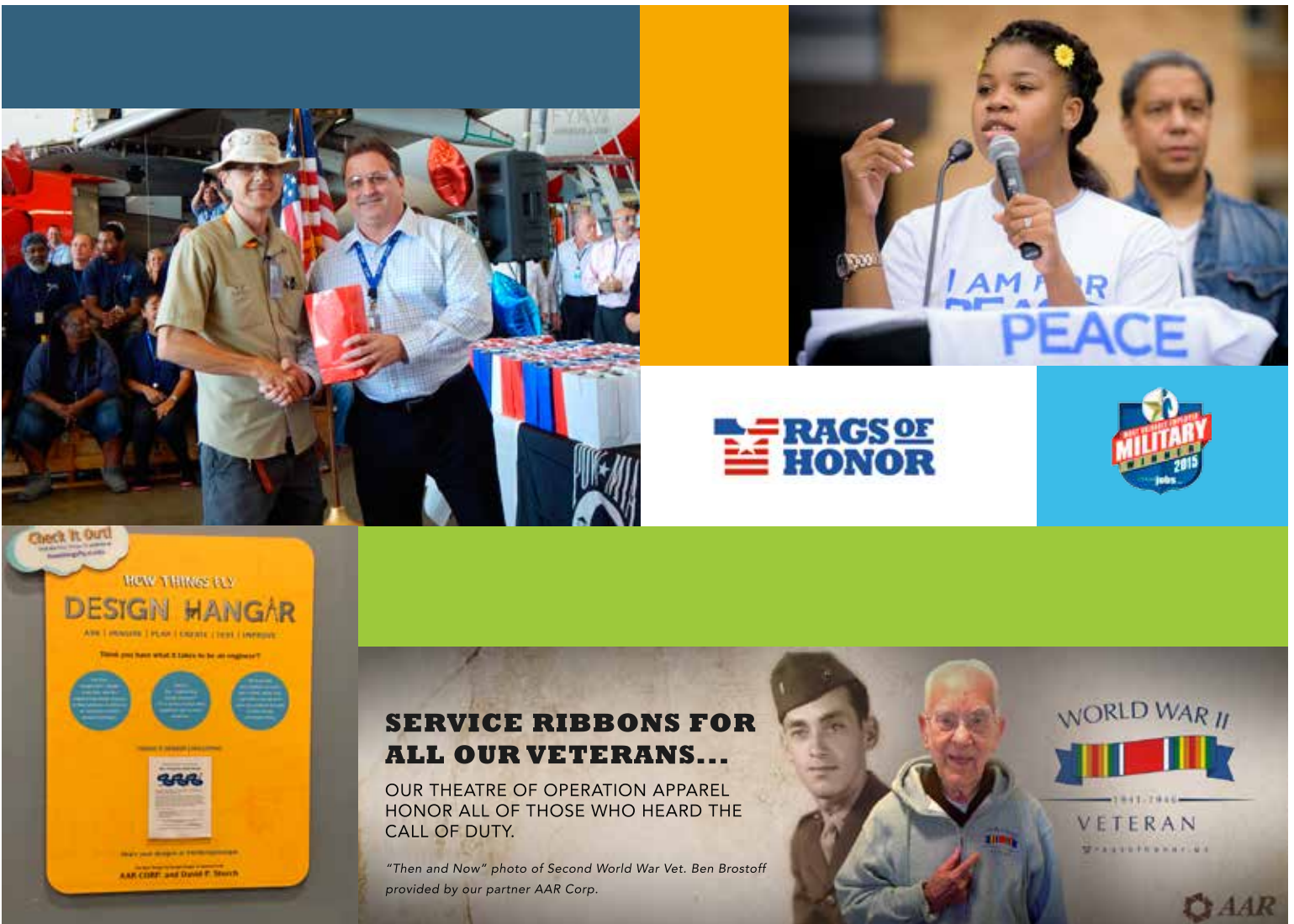
AAR continues to invest corporate resources into non-profits and organizations that work to improve society and raise awareness of opportunities in the aviation industry. We expanded our commitment to veterans by funding an apparel printing company founded to create jobs for homeless veterans. Investing in *Rags of Honor* was an opportunity to go beyond donations and help establish a sustainable business that can continue to grow and create more jobs. This investment, plus the company's commitment to hiring military veterans, was noted when AAR was named

a 2015 Most Valuable Employer for Military by CivilianJobs.com.

Over the past year, AAR continued its commitment to education with a focus on *Perspectives Charter Schools* (PCS) in Chicago. Our Indianapolis MRO facility once again hosted a visit by PCS high school students to raise their awareness of careers in aviation and encourage them to focus on STEM (Science, Technology, Engineering & Math) to align their skill sets with the jobs of the future. We raised money for the schools and supported their annual peace march, which was organized

by PCS students to stand up for peace in neighborhoods too often plagued by violence. AAR employees and CEO David Storch contributed to a crowd-sourcing campaign to fund the documentary "I Am for Peace" that aired at a local film festival, and a trailer can be found at www.perspectivescs.org/peace.

We were also excited that the "How Things Fly" Design Hangar at the Smithsonian Air & Space Museum, sponsored by donations from AAR and David Storch, recently opened to help kids understand what it takes to be an engineer.





TO OUR SHAREHOLDERS, CUSTOMERS AND EMPLOYEES

During the year, the Company began a transformation that will simplify our operations, significantly strengthen our balance sheet and improve our return to shareholders.

It was a very pivotal year for AAR. After completing the Company's annual strategic review process and assessing our markets, we entered fiscal year 2015 with a mission to narrow our focus and excel as an independent services provider to the global commercial, government and defense aviation markets. We executed on this strategy by divesting most of our manufacturing businesses and taking actions to strengthen the long-term growth potential of our industry-leading services businesses.

Strategic Positioning

During the year, the Company began a transformation that simplified our operations, significantly strengthened our balance sheet and improved returns to shareholders. In the first phase of our transformation, we sold the Telair Cargo Group for approximately \$725 million. We expect to sell our Precision Systems Manufacturing businesses early in FY 2016. In phase two, we used a portion of the Telair proceeds to improve our capital structure as we redeemed high-yield notes to reduce our annual interest expense. We also returned over \$150 million in capital to shareholders by repurchasing shares. In phase three, we streamlined our remaining businesses, including realigning the Company's corporate office and reducing overhead expenses. In phase four, we will use our strengthened balance sheet to grow our remaining industry-leading businesses.

Financial Position

AAR's financial position improved over the course of fiscal year 2015. The Company started with a total net debt to total capital ratio of 35.3% on May 31, 2014 and ended the year with a ratio of 10.5%. Sales in the Aviation Services segment increased 6.9%, driven by double-digit growth in supply chain sales. As a result of fewer contracted aircraft positions in our airlift operations and lower volumes in our mobility systems sales,

SELECTED FINANCIAL HIGHLIGHTS

(dollars in millions except per share data)

| For the year ended May 31* | 2015 | 2014 | 2013 | 2012 | 2011 |
|--------------------------------|------------|------------|------------|------------|------------|
| Operating Performance | | | | | |
| Net sales | \$ 1,594.3 | \$ 1,709.1 | \$ 1,807.9 | \$ 1,865.7 | \$ 1,723.9 |
| Net income attributable to AAR | 10.2 | 72.9 | 55.0 | 67.7 | 69.8 |
| Diluted earnings per share | \$ 0.24 | \$ 1.83 | \$ 1.38 | \$ 1.65 | \$ 1.73 |
| Financial Position | | | | | |
| Working capital | 542.1 | 709.3 | 644.7 | 590.1 | 498.0 |
| Total assets | 1,515.0 | 2,194.0 | 2,136.9 | 2,195.7 | 1,703.7 |
| Total debt | 154.0 | 634.0 | 708.6 | 792.2 | 425.3 |
| Stockholders' equity | 845.1 | 1,000.7 | 919.5 | 866.0 | 835.3 |

* As reported

Expeditionary Services segment sales declined 42%. Sales to commercial customers represented 63% of consolidated sales and represented 75% of sales in the Aviation Services segment. As the commercial airline industry improves its profits and grows, AAR is well positioned to benefit.

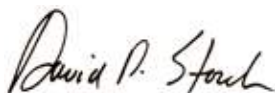
Operations Highlights

Many specific operational highlights for fiscal year 2015 are detailed in the pages of this annual report. The overall trend is that AAR is making progress in two key growth areas - getting deeper in terms of the level of support we can provide to our customers and broader in our geographical reach. I was proud to be chosen for the President's Council on Doing Business in Africa based on AAR's experience and ambitions to grow on the continent. We were also chosen by AMMROC, a UAE joint venture between Mubadala, Sikorsky and Lockheed Martin, to help design its state-of-the-art MRO facility.

Looking Forward

We have taken numerous actions during fiscal year 2015 to position AAR for future growth. We are confident in our prospects to expand our industry-leading businesses to provide customers with a "best-in-class" value proposition. Our balance sheet is very strong and the Company is especially nimble now, which will allow us to invest and innovate to extend our leadership advantage and leverage opportunities to grow the Company.

In closing, we appreciate our more than 5,000 employees in over 20 countries around the world for their hard work and focus, which can be particularly challenging during times of change. We also value the strategic direction, sound counsel and active engagement of our Board of Directors during this transformative year. Additionally, we thank our customers who continue to see the value of the services and efficiencies that AAR provides and work with us as true partners as we create custom programs that fit their need to do more with less.



David P. Storch
Chairman, President and Chief Executive Officer

IN FOR THE LONG HAUL

In a dynamic industry of financial peaks and valleys, AAR is celebrating 60 years of experience in the aviation aftermarket. As a public company (NYSE: AIR), we provide transparency in our operations and finances. With only two CEOs during that time, we have been a stable partner able to focus on what matters most – our customers.

1955
I.A. Allen Industrial Sales, founded by Ira A. Eichner to supply radio and other equipment to the commercial aviation industry is incorporated and moves to Chicago.



1965
Goes international - establishes Allen Airmotive, a supply chain facility in Amsterdam to provide spare parts and services to the European aviation community.



1967
Company goes public, (now NYSE: AIR).



1971
Acquires its first aircraft maintenance business (MRO) at Will Rogers Airport in Oklahoma City and later adds four hangars.

1984
Establishes Aircraft Turbine Center to expand presence in the aircraft engine business.



1991
Mobility provides rapid deployment equipment for Operation Desert Storm.



1996
David P. Storch becomes the second CEO in the Company's history.




2010
Adds expeditionary Airlift services through acquisition of Aviation Worldwide Services.

2013
Ranked as the No.1 MRO in North America and No. 3 in the world. Opens a new 520,000 square foot aircraft maintenance facility in Lake Charles, LA.

2015
AAR celebrates its 60th anniversary at a reception with customers at the Paris Air Show.



Global Presence / Local Focus



U.S. – Headquarters and warehouse near O’Hare International Airport; 1MRO network of 5 facilities and 3 component repair shops; Mobility systems & Airlift HQ.

Europe – Supply chain hubs in Brussels, Amsterdam and Hannover serving Europe, Middle East, and Africa with rotatable pool and AOG services supported by sales offices in London and Paris.

South America – Supply Chain sales office supporting many customers in Latin America.

Central Africa – 4 operations bases in austere locations serving U.S. troops and UN peacekeeping mission.

Malaysia – Landing gear facility in Kuala Lumpur serving Asian airlines.

AAR At-A-Glance

AAR is an independent provider of services to the global commercial, government and defense aviation markets. The company was incorporated in 1955 and today has revenues of approximately \$1.6 billion with more than 5,000 employees in 20 countries. AAR combines a close-to-the-customer business model with a full menu of services to help customers operate more efficiently, reduce costs and maintain high levels of quality, service and safety. We are a trusted partner to customers in over 100 countries.



EXCELLENCE AWARDED

AAR continues to be recognized with top honors from customers and the industry and is a trusted partner.

AVIATION SERVICES



PARTS & SUPPLY CHAIN

Our Aviation Supply Chain business ranks among the world's top providers of aftermarket aircraft parts, logistics and inventory management, as well as OEM components. We offer a full menu of services and can customize a program that minimizes risk and provides price certainty.

- Aircraft & Engine Parts Supply
- Inventory Management
- OEM Parts Distribution
- Component Repair Management – Airinmar subsidiary
- Aircraft & Engine Sales & Leasing

1MRO

We are the largest independent provider of airframe MRO in the Americas and the third largest in the world. We operate a network of 5 airframe repair facilities across the U.S., as well as shops for component repair in and outside the U.S. with services ranging from heavy checks to re-engineering aircraft interiors.

- Aircraft Maintenance & Modifications
- Landing Gear, Wheel & Brake Services
- Component Repair
- Engineering Services

EXPEDITIONARY SERVICES



AIRLIFT

Our well-respected airlift group made its name supporting U.S. troops in Afghanistan and also provides turnkey solutions to support vital defense, contingency and human aid operations in austere environments around the world.

- Aerial Delivery of Passengers & Cargo
- Night Vision Systems
- Aeromedical Services
- Search & Rescue
- Fixed-Wing Short Take-Off & Landing (STOL) Support
- Rotary-Wing Cargo Sling Load Operations
- Vertical Replenishment

MOBILITY SYSTEMS

Our industry-leading mobility business designs and manufactures specialized systems to support the movement of troops and supplies in theaters of operation for military and humanitarian missions.

- Shelters
- Containers & Pallets
- Integrated Command & Control (C4) Centers
- Cold Chain Solutions – Temperature-Controlled Containers

AAR Leadership

CORPORATE OFFICERS

David P. Storch

Chairman, President and Chief Executive Officer

Timothy J. Romenesko

Vice Chairman; Chief Operating Officer of Expeditionary Services

John M. Holmes

Vice President; Chief Operating Officer of Aviation Services

Dany Kleiman

Vice President; General Manager, Maintenance, Repair and Overhaul

Randy J. Martinez

Vice President; General Manager, AAR Airlift

Kathleen M. Cantillon

Vice President, Strategic Communications

Michael K. Carr

Vice President, Tax and Assistant Treasurer

John C. Fortson

Vice President, Chief Financial Officer & Treasurer

Cheryle R. Jackson

Vice President, Government Affairs and Corporate Development

Robert J. Regan

Vice President, General Counsel and Secretary

Michael J. Sharp

Vice President, Controller and Chief Accounting Officer

Donald J. Wetekam

Senior Vice President, Government and Defense Business Development

BOARD OF DIRECTORS

David P. Storch³ – Chairman

Chairman, President and Chief Executive Officer, AAR CORP.

Anthony K. Anderson^{1, 2}

Independent Business Consultant; Former Vice Chairperson and Managing Partner of Midwest Area at Ernst & Young LLP

Norman R. Bobins^{1, 2}

Non-Executive Chairman, The PrivateBank and Trust Company – Chicago

Michael R. Boyce^{2, 4}

Chairman, PQ Corporation; Chairman and Chief Executive Officer, The Peak Group

Ronald R. Fogleman^{2, 3, 4} – Chairman, 5

General, U.S. Air Force (Ret.); President and Chief Operating Officer, B Bar J Cattle Company

James E. Goodwin¹ – Chairman, 3, 4

Chairman, Federal Signal Corporation; Retired Chairman and Chief Executive Officer, UAL, Inc. and United Airlines, Inc.

Patrick J. Kelly^{1, 4}

Managing Director, KMK & Associates, LLC

Peter Pace^{2, 4}

General, U.S. Marine Corps (Ret.); Chairman of the Joint Chiefs of Staff (Ret.)

Timothy J. Romenesko

Vice Chairman, AAR CORP.

Marc J. Walfish^{1, 3, 4}

Founding Partner, Merit Capital Partners

Ronald B. Woodard^{1, 2} – Chairman

Retired Chairman, MagnaDrive, Inc.; Retired President, Boeing Commercial Airplane Group

¹ Member of Audit Committee

² Member of Compensation Committee

³ Member of Executive Committee

⁴ Member of Nominating and Governance Committee

⁵ Lead Director

Stockholder Information

Corporate Headquarters

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Facsimile: 630-227-2059
www.aarcorp.com

Transfer Agent and Registrar

Computershare Trust Company, N.A.
Providence, Rhode Island

Independent Registered

Public Accounting Firm
KPMG LLP
Chicago, Illinois

Annual Meeting of Stockholders

The annual meeting of stockholders will be held at 9:00 a.m. (Chicago time) on Tuesday, October 13, 2015, at AAR's Corporate Headquarters, 1100 North Wood Dale Road, Wood Dale, Illinois 60191.

The Investor Service Program

AAR CORP. provides its stockholders the opportunity to purchase additional shares of common stock of the Company by automatic reinvestment of dividends and optional additional investments. Stockholders may obtain information regarding this plan by contacting the Corporate Secretary, AAR CORP., 1100 North Wood Dale Road, Wood Dale, Illinois 60191.

Ticker Symbol

AAR stock is traded on the New York and Chicago Stock Exchanges under the ticker symbol AIR.



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