



Win Win

2018 Annual Report



Winning Reach



Supply Chain Solutions

We continue to see robust demand across our Parts Supply businesses as we invest in the types of parts and services desired by operators, MROs, lessors and OEMs. We signed two exclusive, **long-term deals to supply engine parts** for both narrow-body and wide-body engines with over 30 annual visits. Our OEM Solutions group grew by signing **exclusive agreements with Ametek** for both the civil and military aerospace markets, as well as extending the agreement for global support of Pratt & Whitney’s military auxiliary power units. Our effectiveness in helping OEMs fulfill requirements from the Defense Logistics Agency is evidenced by the **\$43 million spare parts agreement signed with DLA**.

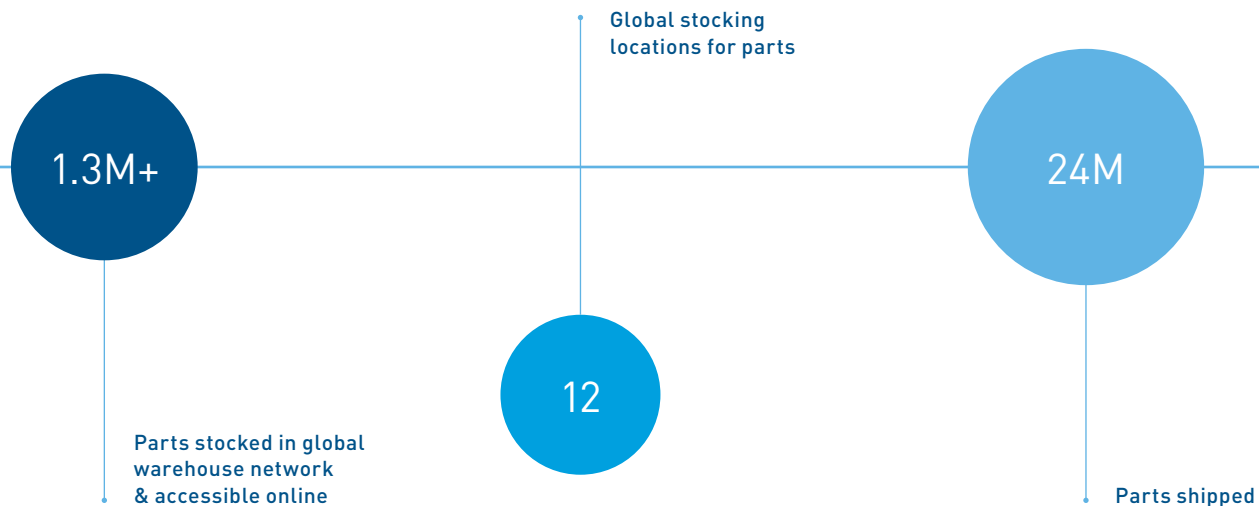
Our advances in digital services to enhance service to the customer included the addition of about 1 million used airframe and engine parts, one of the largest inventories in the aftermarket, to the OEM factory-new parts already available for sale in our **online PAARTS™ Store**. Our used part sales and exchanges were also bolstered by an improved worldwide 24/7 AOG desk, as well as the acquisition of more ATR parts. The 20+ product lines of **commercial OEM parts distributed** by our global sales team now include in-flight connectivity components produced by Viasat.

Force Multiplier

Challenge: Meet Sumitomo Precision Products’ (SPP) desire to provide better global support to airline and MRO customers for the **IAE V2500 Pneumatic Starter & Starter Air Valve**, an engine component for the A320 family.

AAR Solution: Use **global sales team and warehousing network** and leverage current relationships related to complementary product offerings to provide exceptional customer support for the Starter and Valve LRU.

Results: Exclusive, long-term agreement with AAR allows SPP to provide IAE V2500 operators and MRO customers worldwide with enhanced aftermarket support that helps to **increase sales and decrease lead time** on this critical engine component.



Winning Partnership



Government Programs

We were awarded or started work on three fleet support contracts for three branches of the U.S. military, as well as the Worldwide Aviation Support Services (WASS) program for the U.S. State Department. We completed the ramp up of the **10-year WASS program** in Afghanistan, Iraq, Panama, Peru and Patrick Air Force Base, which is a testament to AAR's capabilities to support government-owned, contractor-operated (GOCO) fleet operations.

AAR was awarded its first indefinite delivery/indefinite quantity (IDIQ) contract **by the U. S. Army** for aircraft and support equipment maintenance, minor modification and supply chain management. We also started our first task orders under U.S. Navy IDIQ contract for **airframe maintenance of its P-8A Poseidon fleet** at our Indianapolis MRO. And we began work on the 15-year, \$909 million **landing gear PBL contract for the Air Force** that will include repairs at AAR's landing gear facility in Miami.

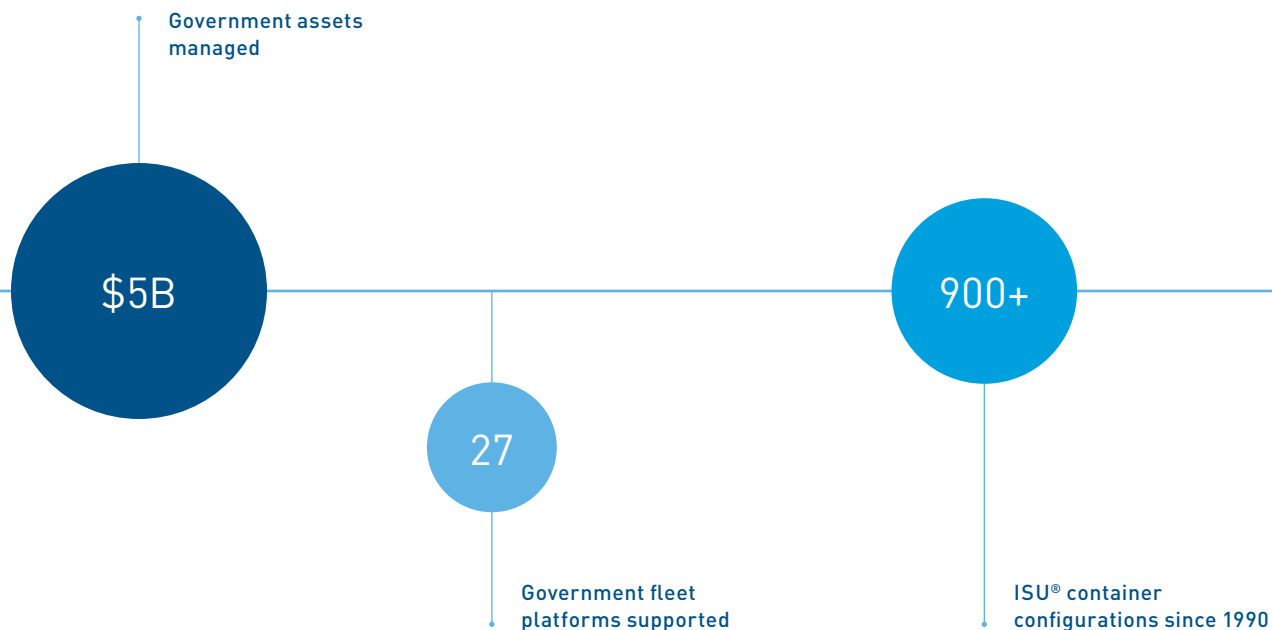
Mobility Systems focused on enhancing its **container and shelter repair services**. Mobility opened a new ISU® container and shelter repair center in Europe that will be assisting with a contract to do repairs for the U.S. Army Special Operations Command units within Europe. We also received an IDIQ contract from U.S. Naval Special Warfare Command for repair of ISU® containers in the U.S.

**Government-Owned,
Contractor-Operated (GOCO)**

Challenge: Transition and ramp-up the Worldwide Aviation Support Services (WASS) contract for the U.S. Dept. of State from a 20 plus-year incumbent protesting the award to AAR for over 3 years.

AAR Solution: Used dedicated and committed internal experts/resources at both Airlift and AAR Integrated Solutions – Government to hire, train and activate about **700 employees and 200 subcontractor employees** for skilled positions worldwide within 7 months.

Results: Successfully transitioned all U.S. and worldwide facility, logistics, maintenance and flight operations from the previous contractor to **full operational capability** for this vital national security program, launching a 10-year, up to \$10 billion contract, which is AAR's largest to date.



Winning Expansion



Global Growth

In February, AAR announced our **first MRO outside North America** – a joint venture with India-based Indamer Aviation for a new airframe maintenance, repair and overhaul facility in **Nagpur, India**. Initially comprised of six narrow-body bays, it will serve India’s fast-growing commercial aviation market and is expected to open by year end. We also expanded our **component repair work overseas** with Component Repair, Amsterdam signing a long-term contract with Russian airline, Utair Aviation. **The Amsterdam repair shop**, which celebrated its **50-year anniversary**, is also part of a long-term agreement with Honeywell Aerospace to repair over 1,800 base part number and line replacement units, which will also be repaired in the New York shop.

The **Canadian MROs** were smoothly integrated into our existing MRO network and ramped up 3 lines of heavy maintenance for Air Canada’s narrow bodies. We added a new airline customer at our Indianapolis MRO where we are doing heavy maintenance on **Republic Airlines’** fleet of E-170/175s.

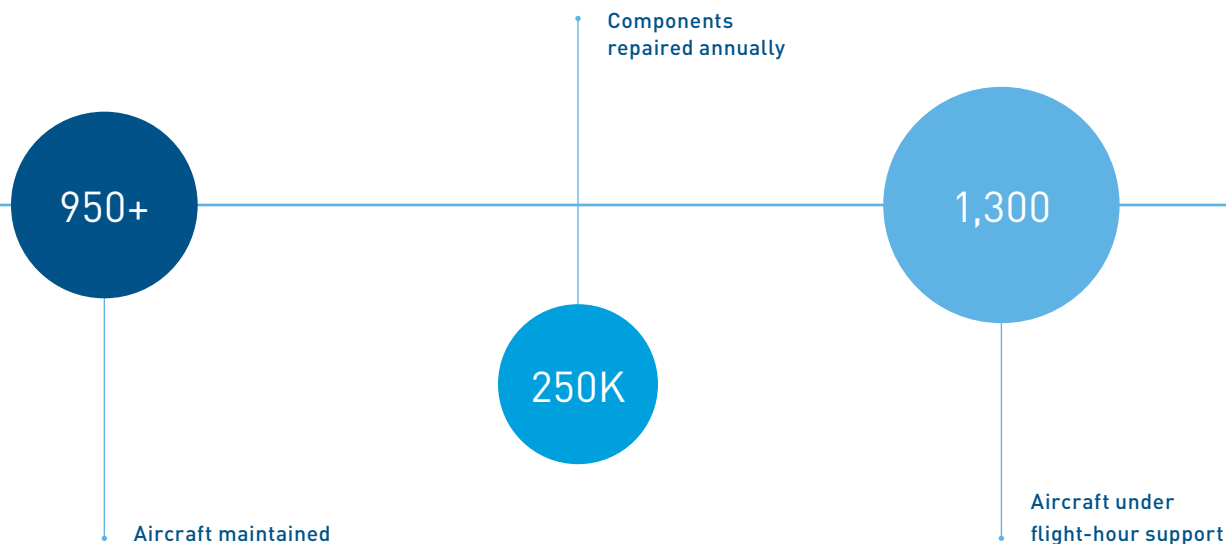
Integrated Solutions – Commercial continued its expansion overseas with new flight-hour component support agreements with **flydubai, Hawaiian Airlines, Air New Zealand’s Airbus fleet, and Wataniya Airways** in Kuwait. The contracts with flydubai and Hawaiian expand service to new-generation aircraft platforms – B737 MAX and A321neo, respectively.

Growing Global Footprint

Challenge: Selective and strategic growth of AAR’s MRO network, the largest independent in North America, to better **serve customers outside the U.S.**, particularly long-term customer Air Canada.

AAR Solution: Investigated and conducted due diligence on MRO providers in Canada that met our high service standards and focus on safety, which we could partner with or acquire.

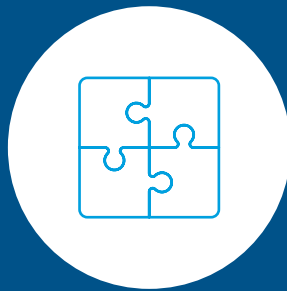
Results: Acquired two MROs in **Canada** from Premier Aviation – one at Trois-Rivières Airport in Québec and the other at Windsor International Airport in Ontario and signed 10-year heavy maintenance contract for Air Canada’s narrow-bodies (A319, A320, A321), plus a new 5-year agreement for their E-190 fleet.



What Sets AAR Apart



Supply Chain
Innovator



Solutions Integrator



Global Expertise
Emerging Market Reach



Aftermarket Expert



Power of Focus



Independent



Nimble



Trusted Partner

John M. Holmes,
President and
Chief Executive Officer
(left)

David P. Storch,
Chairman (right)



Dear Fellow Shareholders:

Fiscal year 2018 was a solid year for the Company. We continued to grow the reach of our supply chain and fleet support programs, including significant U.S. government contract wins. We also expanded the geographic presence of our MRO network with an acquisition in Canada and the announcement of a joint venture in India. The increased focus on our core services resulted in double-digit sales growth and contributed to improving financial performance as we transitioned our leadership for the future.

In January, we announced that John would succeed David as CEO of AAR at the end of our fiscal year. After 17 years of progressive leadership positions and driving the Aviation Services growth for the Company, John has gained strong leadership skills and market knowledge to take AAR to new heights. David will continue in his role as Chairman of the Board.

We both appreciate that our single greatest asset is our people, their spirit and their commitment to Doing It Right. We are proud that AAR was named to the Forbes list of America's Best Mid-Sized Employers for 2018, reflecting our winning, entrepreneurial, caring and quality-focused culture.

Financial Results

Fiscal year 2018 saw strong growth in AAR's earnings from continuing operations. The Company's sales grew 10 percent to \$1.75 billion. Sales to commercial customers represented 75.5 percent of consolidated sales with sales to government customers representing the balance. Our consolidated gross profit increased \$31.2 million or 11.8 percent. The Company continued to make strategic investments in our business, including assets to support new multi-year supply chain programs.

Operational Highlights

Aviation Services sales grew by 9 percent as a result of continued strong growth in our Parts Supply businesses and new program wins for our Integrated Solutions business supporting both commercial and government customers. We are now providing flight-hour support to over 1,300 commercial aircraft across the globe, including next-generation platforms, and are the third largest provider worldwide and the largest independent. Our value proposition to provide fleet logistics support was recognized by the award or start of new contracts with three branches of the U.S. Department of Defense. The Parts Supply business delivered strong returns by leveraging its

Selected Financial Highlights

(dollars in millions except per share data)

For the year ended May 31	2018	2017	2016	2015	2014
Operating Performance					
Net sales	\$ 1,748.3	\$ 1,590.8	\$ 1,525.4	\$ 1,448.0	\$ 1,415.5
Operating income (loss)	86.0	82.3	75.5	(31.2)	53.8
Diluted earnings per share	\$ 0.41	\$ 1.64	\$ 1.37	\$ 0.24	\$ 1.83
Financial Position					
Working capital	609.4	553.4	540.3	456.9	645.4
Total assets	1,524.7	1,504.1	1,456.0	1,454.1	2,159.8
Total debt	178.9	156.2	145.3	154.0	634.0
Stockholders' equity	936.3	914.2	865.8	845.1	1,000.7

We are very pleased with our successful capture rate across our businesses last year, contributing to our strong momentum going into fiscal year 2019.

unmatched market reach and implementing an enhanced 24/7 AOG desk and online PAARTS™ Store. Our OEM Solutions group continued growth by expanding partnerships with Sumitomo Precision Products, Ametek, and Pratt & Whitney. We extended our MRO footprint outside the U.S. by acquiring two MROs in Canada and commencing construction on a new heavy maintenance facility in India with a local joint venture partner. And we also signed multi-year MRO agreements with many of the leading North American airlines.

Expeditionary Services sales increased 22.8 percent. In November, we received a Notice to Proceed from the U.S. State Department for the 10-year INL/A Worldwide Aviation Support Services (WASS) program. We are proud of our team as we quickly ramped up and are now providing world-class services in support of the INL/A fleet in five countries. We have also experienced an increase in work at our Mobility business, which opened a new ISU® container and shelter repair center in Europe and received contracts to do repairs for the U.S. Army and U.S. Navy command units.

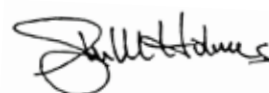
Looking Forward

We are very pleased with our successful capture rate across our businesses last year, contributing to our strong momentum going into fiscal year 2019. As an organization from top to bottom, we are focused on execution as we provide customers with best-in-class solutions. We have made many strategic investments to support business growth, our new business pipeline remains healthy, and our strong team is poised to deliver another solid year. We enter fiscal year '19 with great financial flexibility, and we will allocate capital to grow our business and provide returns to our shareholders.

Thanks to our more than 6,000 employees for their hard work and dedication to excellence, to our customers for their business, and to our shareholders for their confidence. We are also grateful to our Board of Directors for their wisdom and guidance. We are excited about our future.



David P. Storch
Chairman



John M. Holmes
President and Chief Executive Officer

Winning For Our Communities

AAR gives back to the communities in which it operates via four principal areas:

Science, Technology, Engineering, and Math (STEM) Education – Committed to inspiring the next generation’s interest in aviation, the Company, Chairman David Storch and AAR founder Ira A. Eichner’s family made a combined \$1 million donation to the Smithsonian National Air and Space Museum renewal in Washington D.C. The sponsorship will renovate the interactive “How Things Fly” exhibit providing hands-on experience in the science of flight.

Through mentorship programs and special events, we partner with numerous organizations to introduce youth worldwide to aviation careers. In Chicago, AAR has provided ongoing support to Perspectives Charter Schools (PCS), mentoring PCS students and marching alongside them in their annual peace march against gun violence. For being a positive role model, PCS recognized former CEO David Storch with its *A Disciplined Life Award* in 2018.

Veterans – With veterans comprising 16 percent of AAR’s employee base, supporting active and retired military is a priority. Led by AAR’s women’s business resource group (X-Network), headquarter employees rallied around Support Our Sheroes and provided female-centric care packages to hundreds of active-duty U.S. military women. The Company also proudly contributes to the Marine Corps Scholarship Foundation and Navy SEAL Foundation.

Diversity & Inclusion – As a global organization, diversity and inclusion is another of AAR’s essential tenets. Whether supporting The Posse Foundation, which turns talented, diverse students into the leaders of tomorrow, or fundraising for the U.S. Holocaust Memorial Museum, the Company seeks to support a diverse perspective in its workplace and beyond.

Health & Wellness – AAR welcomes opportunities to improve quality of life and cure disease. We gladly support Special Olympics, Feeding America and the Alzheimer’s Association to name a few.

To see how AAR continues to make a difference for customers, employees and society at large, visit aarcorp.com/about/corporate-social-responsibility/.



Winning Around the World

North America

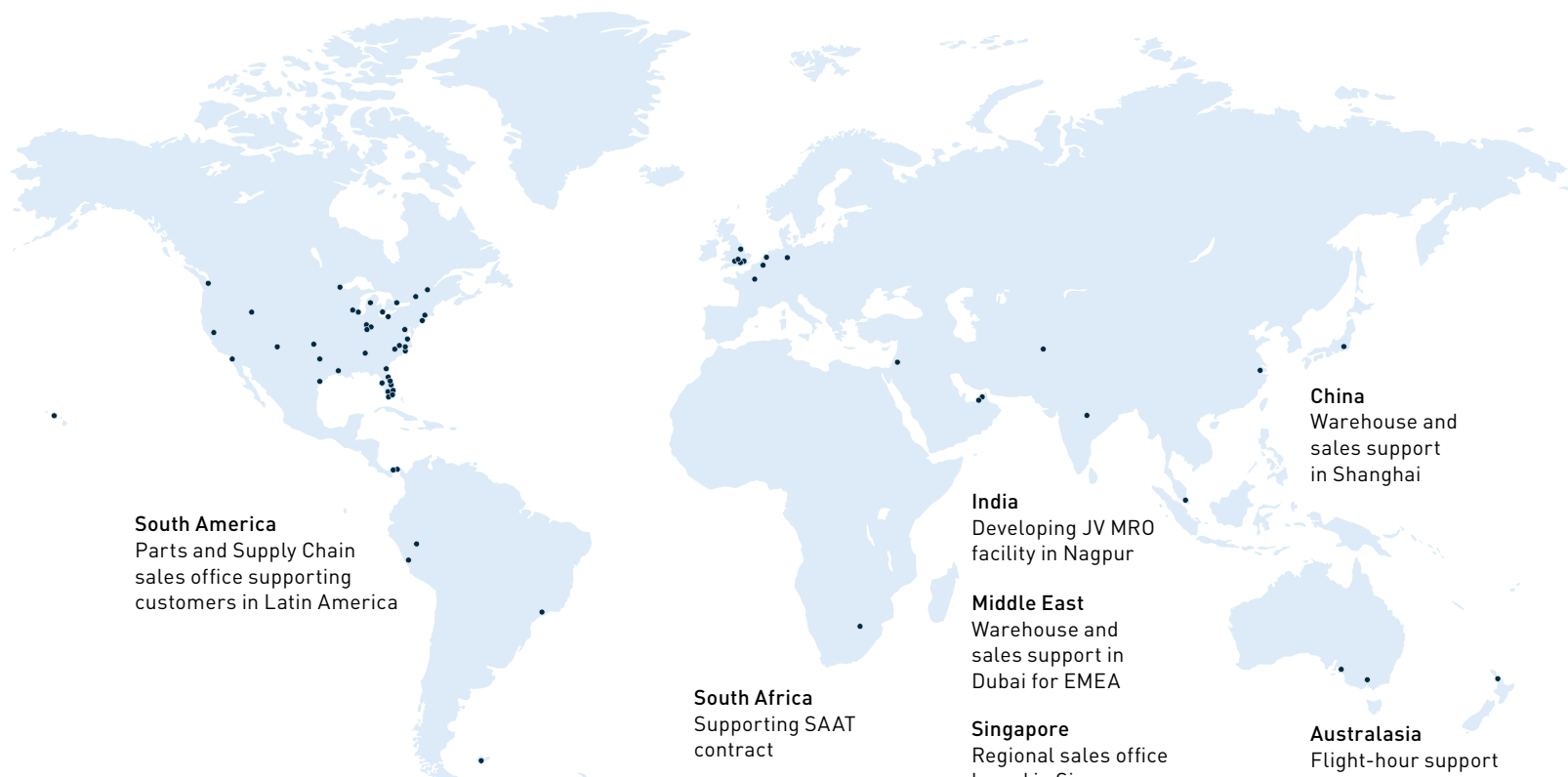
HQ & warehouse near O'Hare Airport; MRO Services network with component repair; manufacturing services

UK

Integrated Solutions office in Gatwick with international support team

Europe

Component repair in Amsterdam. Warehouse network includes Brussels & Hannover serving EMEA & supported by sales offices



AAR is an independent provider of aviation services to commercial and government customers in over 100 countries. The company was incorporated in 1955 and today has revenues of approximately \$1.8B with 6,000 employees in 20 countries. AAR's aftermarket expertise and award-winning market solutions, which can be integrated or leveraged separately, help customers increase efficiency and reduce costs while maintaining high levels of quality, service and safety. We are a trusted partner to airlines, militaries and OEMs delivering competitiveness so they can focus on transporting passengers, cargo and parts around the world.

Market Solutions

Providing aviation services to commercial and government customers



MRO Services

- Airframe
- Landing Gear
- Component Repair
- Engineering



Parts Supply

- Serviceable & OEM factory-new parts
- Parts sale, exchange, loan and lease
- Engine Solutions
- Aircraft teardown, sales and leasing
- OEM Solutions
- Consumables and expendables aggregator
- Online PAARTS™ Store



Integrated Solutions

- Total fleet services
- Flight-hour support
- Contractor logistics support (CLS)
- Performance-based logistics (PBL)
- Airlift operations



Manufacturing

- Composites
- Mobility Systems

AAR Leadership

Corporate Officers

John M. Holmes
President and Chief Executive Officer

Sarah L. Flanagan
Vice President, Financial Operations

Cheryle R. Jackson
Vice President, Global Business Development

Marcus D. Jadotte
Vice President, Public Affairs

Christopher A. Jessup
Vice President, Chief Commercial Officer

Dany Kleiman
Vice President, General Manager, Maintenance, Repair and Overhaul

Salvatore J. Marino
Vice President, Parts Supply Group

Michael D. Milligan
Vice President, Chief Financial Officer

Eric S. Pachapa
Vice President, Controller and Chief Accounting Officer

Robert J. Regan
Vice President, General Counsel and Secretary

Jason Secore
Vice President and Treasurer

Eric J. Young
Vice President, OEM Solutions

Board of Directors

David P. Storch³ - Chairman
Chairman of the Board, AAR Corp.

Anthony K. Anderson²
Independent Business Consultant; Former Vice Chairperson and Managing Partner of Midwest Area at Ernst & Young LLP

Norman R. Bobins^{1,2}
Vice Chairman, CIBC U.S. Region

Michael R. Boyce^{2,4}
Chairman and Chief Executive Officer, The Peak Investments, LLC

James E. Goodwin^{1,3,4} - Chairman, ⁵
Lead Director of Federal Signal Corporation; Chairman, Federal Signal Corporation (Ret.); Chairman and Chief Executive Officer, UAL, Inc. (Ret.) and United Airlines, Inc. (Ret.)

John M. Holmes
President and Chief Executive Officer, AAR Corp.

Patrick J. Kelly^{1,4}
Managing Director, KMK & Associates, LLC

Duncan J. McNabb^{1,4}
General, U.S. Air Force (Ret.); Co-Founder and Managing Partner of Ares Mobility Solutions, Inc.

Peter Pace^{1,2}
General, U.S. Marine Corps (Ret.); Chairman of the Joint Chiefs of Staff (Ret.)

Jennifer L. Vogel^{2,3,4}
Co-Founder, Invista Advisors LLP; Former Senior Vice President, General Counsel, Secretary and Chief Compliance Officer, Continental Airlines

Marc J. Walfish¹ - Chairman, ^{3,4}
Founding Partner, Merit Capital Partners

Ronald B. Woodard^{1,2} - Chairman
Chairman, MagnaDrive, Inc. (Ret.); President, Boeing Commercial Airplane Group (Ret.)

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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F: +1 630.227.2058
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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 Wednesday, October 10, 2018, at AAR's Corporate Headquarters, 1100 N. Wood Dale Rd., Wood Dale, IL 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 N. Wood Dale Rd., Wood Dale, IL 60191.

Ticker Symbol

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



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