



OVER THE PAST DECADE, AAR HAS TRANSFORMED ITSELF FROM A LEADING AFTERMARKET SUPPLIER TO A STRONG, DIVERSIFIED PARTNER IN THE COMMERCIAL AVIATION AND GOVERNMENT/DEFENSE MARKETS.



DURING THAT TIME, WE MAINTAINED OUR CLOSE-TO-THE-CUSTOMER BUSINESS MODEL AND FOCUSED ON INNOVATION AND EXECUTION WHILE STEADILY BUILDING OUR TEAM, BROADENING OUR BUSINESS MIX AND EXPANDING INTO HIGHER-VALUE SERVICES — A CONTINUING STRATEGY TO CREATE BALANCE IN A CYCLICAL MARKETPLACE AND MULTIPLY OUR OPPORTUNITIES FOR GROWTH.

AAR'S ONGOING TRANSFORMATION DROVE SOLID RESULTS IN FISCAL 2009, AND IT WILL CONTINUE TO IMPROVE OUR POSITION FOR SUSTAINED, LONG-TERM PERFORMANCE.

FINANCIAL HIGHLIGHTS

	FOR THE FISCAL YEAR ENDED MAY 31				
	IN THOUSANDS, EXCEPT PER SHARE DATA				
	2009	2008	2007	2006	2005
OPERATING PERFORMANCE					
Net Sales	\$1,423,976	\$1,384,919	\$1,061,169	\$885,518	\$740,427
Income From Continuing Operations	80,600	75,745	59,447	35,823	19,498
Diluted Earnings Per Share From Continuing Operations	\$1.92	\$1.77	\$1.42	\$0.96	\$0.57
FINANCIAL POSITION					
Working Capital	\$596,894	\$564,932	\$389,215	\$436,666	\$314,517
Total Assets	1,377,511	1,362,010	1,067,633	978,819	732,230
Total Debt	446,253	518,946	327,856	320,865	230,904
Stockholders' Equity	656,895	585,255	494,243	422,717	314,744

AAR delivered a solid financial performance during a time of intense economic challenge.

We remained true to our principles of innovation, execution and delivering value with a close-to-the-customer business model by executing on our long-term goal of diversifying AAR's products, services, capabilities and customer base.

Fiscal 2009 coincided with a period of deteriorating economic and business conditions in the U.S. economy and other world markets, characterized by steep declines in GDP and rising unemployment. Passenger and cargo traffic were negatively impacted and, as a result, carriers were forced to reduce costs and conserve cash. In government/defense markets, activity remained strong as the U.S. Department of Defense continued to partner with industry to control spending and support ongoing operations, including those in Iraq and Afghanistan.

Amid this operating environment, AAR delivered a solid financial performance, reaching the highest levels of sales, earnings, earnings per share and operating cash flow in the Company's history. We reduced our long-term debt, successfully integrated our fiscal 2008 acquisitions of Avborne Heavy Maintenance and Summa Technology, added talent and experience to our leadership team and entered fiscal 2010 a stronger company.

Highlights from the 2009 fiscal year:

- Record sales of \$1.4 billion, a 3 percent increase over FY08
- Operating cash flow of \$64 million
- Diluted earnings per share of \$1.92
- Net debt outstanding reduced by \$77 million

While the environment remains challenging, we believe that the long-term business strategy we adopted several years ago has positioned us well. Specifically, through targeted investments and business acquisitions, as well as organic growth, we have been executing a strategy of building balance. Balance across our major customer segments — commercial and government/defense — as well as balance in our product and services offerings between front-end manufacturing content and aftermarket support.

During fiscal 2009, sales to government/defense customers increased 17 percent, representing 43 percent of consolidated sales. By comparison, in 2001, sales to the defense market represented only 17 percent of consolidated sales. Sales derived from front-end manufacturing content grew to 34 percent of sales in fiscal 2009 compared to 11 percent in fiscal 2001. Over the course of the decade, we successfully created a more favorable balance between our government/defense and commercial businesses.

We generated \$64 million of cash flow from operations in fiscal 2009, while reducing our net debt outstanding by \$77 million. We have a strong liquidity position with \$113 million of cash on hand and approximately \$190 million available under our credit facilities. Our next significant debt maturity is for \$42 million, due May 2011.

SEGMENT PERFORMANCE

In our Aviation Supply Chain segment, we experienced a 3.7 percent decrease in sales compared with the previous year largely due to reduced demand from airline customers as they cut capacity in response to the economic downturn. Results for our Defense Systems and Logistics business remained strong with sales increasing 10.0 percent over the prior year. We are currently participating in 12 logistics programs supporting fixed-wing aircraft, rotorcraft and ground equipment.

Sales increased 15.3 percent in our Maintenance, Repair and Overhaul (MRO) segment reflecting a full year of activity from last year's acquisition of Avborne Heavy Maintenance and strong performance at our landing gear overhaul business.

Results in this segment also benefited from our focus on process improvements using Lean and other techniques to improve efficiency and turn times. Today, AAR is ranked among the top three MRO providers in North America based on an independent study of man-hours performed.

Our Structures and Systems segment achieved a 22.6 percent sales increase. We experienced strong demand for our products and services that support the mobilization of troops and supplies into theaters of operation and sustain in-theater activity. The growth in this segment also reflects a full year of revenue from AAR Summa Technology, which performs precision machining and fabrication for first-tier suppliers. At the close of the fiscal year, our backlog in this segment was approximately 20 percent higher than a year earlier, signaling continued strength for the year ahead.

In our Aircraft Sales and Leasing segment, we responded to weakening economic conditions and tightening credit markets by reducing AAR's investment in its aircraft portfolio. During fiscal 2009, we reduced our fleet by five aircraft and lowered our investment from \$97.5 million at May 31, 2008, to \$74.4 million at May 31, 2009.

STRENGTHENING OUR TEAM

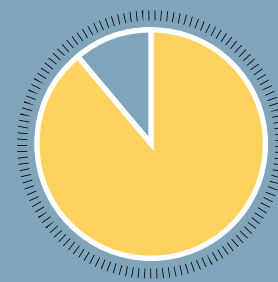
In March, Randy Martinez, former CEO of World Air Holdings, Inc. and an experienced U.S. Air Force officer and pilot, joined AAR to lead our efforts to grow the Company's government/defense business. Randy was appointed an officer of the Company and placed in charge of our newly formed Government and Defense Programs organization. He and his team are responsible for facilitating collaboration and integration among AAR's businesses that serve government/defense customers, broadening our existing customer relationships and positioning the Company to compete for new business as a prime contractor.

In November, Don Wetekam, who serves as the Group Vice President of our Maintenance, Repair and Overhaul segment, was appointed an officer of the Company. Don has contributed greatly to strengthening AAR's position as a first-rate MRO provider and continues to drive competitive advantage through efficiency improvement at our MRO operations.

Subsequent to year end, we formed AAR Global Solutions, LLC, a joint venture company, to capitalize on the market for value-added support for the U.S. Department of Defense and State Department, as well as for other friendly governments. The joint venture will be led by Steve Cannon, former CEO of DynCorp International, and his team, who have extensive contract and program expertise. The new business opens AAR up to new opportunities and strengthens our ability to compete internationally for programs as a prime contractor. We will be investing in this

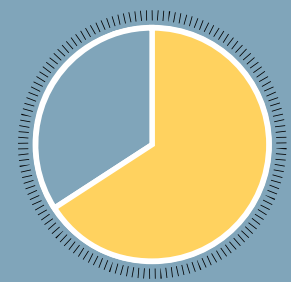
Front-end vs. aftermarket

AAR continues to balance front-end engineering and manufacturing content with aftermarket support in its product and services mix.



MAY 31, 2001

11% *Front-end*
89% *Aftermarket*



MAY 31, 2009

34% *Front-end*
66% *Aftermarket*

business throughout the year and expect to begin seeing results in the second half of fiscal year 2010.

We continue to invest in the training and development of our employees and are committed to providing a work environment that fosters growth, responsibility and empowerment. We are exceptionally proud that for the fifth consecutive year, 100 percent of AAR's eligible aviation maintenance technicians (AMTs) earned FAA Diamond Awards for meeting or exceeding FAA training requirements. Congratulations to the team of 2,183 AMTs that earned this prestigious recognition.

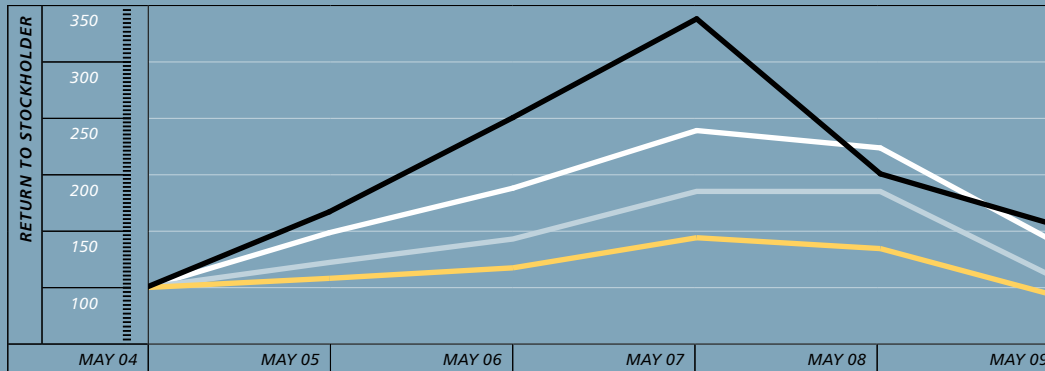
We have built a solid and dynamic team at all levels of the organization. AAR's people remain sharply focused on providing innovative solutions and dedicated to generating the highest levels of value for our stockholders.

CHARTING A COURSE FOR 2010 AND BEYOND

In response to the current economic environment, many of our commercial airline customers have dramatically reduced capacity, leading to fewer maintenance events and lower demand for aircraft parts and related services. We see this trend continuing through the first half of our current fiscal year.

Comparison of cumulative five-year total return¹

The following graph compares five-year cumulative total stockholder return (including reinvestment of dividends).



¹Assumes \$100 invested on May 31, 2004, and reinvestment of dividends in the Company's common stock, the S&P 500 Index, the S&P 600 Aerospace/Defense Index and a Peer Group as listed in the AAR CORP. 2009 Proxy statement.

The S&P 500 Index is comprised of domestic industry leaders in four major sectors: Industrials, Financials, Utilities and Transportation, and serves as a broad indicator of the performance of the U.S. equity market. The S&P 600 Aerospace/Defense Index is comprised of small cap companies engaged in aerospace/defense business activities including: AAR CORP., AeroVironment, Inc., American Science and Engineering, Inc., Applied Signal Technology, Inc., Axsys Technologies, Inc., Ceradyne, Inc., Cubic Corp., Curtiss-Wright Corp., Esterline Technologies Corp., GenCorp Inc., Moog Inc. CI A, Orbital Sciences Corp., Stanley, Inc., Teledyne Technologies Inc. and Triumph Group, Inc. The Proxy Peer Group companies are listed in the CD&A section of the AAR CORP. 2009 Proxy Statement.

Source: Standard & Poor's

At AAR, we will remain focused on quality, capturing new business, reducing costs and generating cash. We continue to invest in developing broader engineering and manufacturing capabilities that better balance our mix of front-end engineering content and aftermarket services, and enable us to move further "upstream" in our customers' value chain. Our goal is to increase market share by building on our current customer relationships and pursuing new ones.

We would like to take this opportunity to acknowledge and commend our 6,000 employees who have built this Company with their energy, enthusiasm, drive and determination. We would like to thank our customers for the opportunity they have given us and assure them of our commitment to provide high-value products and services that contribute to their success. We also wish to acknowledge our Board of Directors for their critical role in shaping our Company's strategy and providing the sage counsel that enables its successful execution.

Lastly, we would like to express our deep appreciation for the support that our stockholders have given us. Let us assure you that we are giving you our best every day.

IN CLOSING

Today, AAR is a much different company than we were at the beginning of the decade. We have successfully diversified our business mix, enabling us to manage through these unprecedented times. We remain optimistic about the long-term fundamentals for both the commercial and government/defense markets. Thank you for your continued support and confidence.

Sincerely,

DAVID P. STORCH

Chairman and Chief Executive Officer

TIMOTHY J. ROMENESKO

President and Chief Operating Officer

August 14, 2009

DIVERSIFICATION

DIVERSIFICATION IS KEY TO AAR'S LONG-TERM GROWTH. SINCE THE BEGINNING OF THE DECADE, AAR HAS PURSUED A FOCUSED STRATEGY TO DIVERSIFY ITS BUSINESS MIX. TODAY, AAR HAS AN INCREASINGLY BALANCED PORTFOLIO OF STRONG, HIGH-VALUE CAPABILITIES.



AAR business segments

AAR provides a wide range of products and value-added services for commercial and government/defense customers. The Company reports its financial results through four operating segments:

AVIATION SUPPLY CHAIN

Aircraft Parts Supply and Repair
 Defense Logistics Support
 Engine Parts Supply
 Inventory Management Programs
 PMA Development and Supply
 Enterprise Application Integration

MAINTENANCE, REPAIR AND OVERHAUL (MRO)

Aircraft Maintenance
 Landing Gear Services
 Engineering Services

STRUCTURES AND SYSTEMS

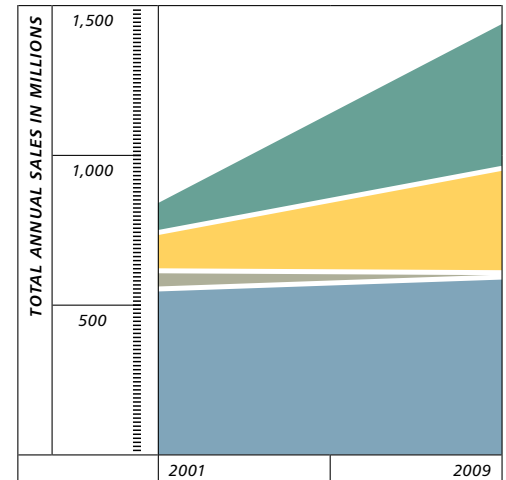
Mobility Systems
 Cargo Systems
 Composite Structures
 Precision Fabrication
 Systems Integration

AIRCRAFT SALES AND LEASING

Sales and Leasing
 Advisory Services

Growing sales, increasing breadth

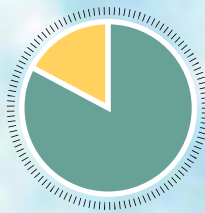
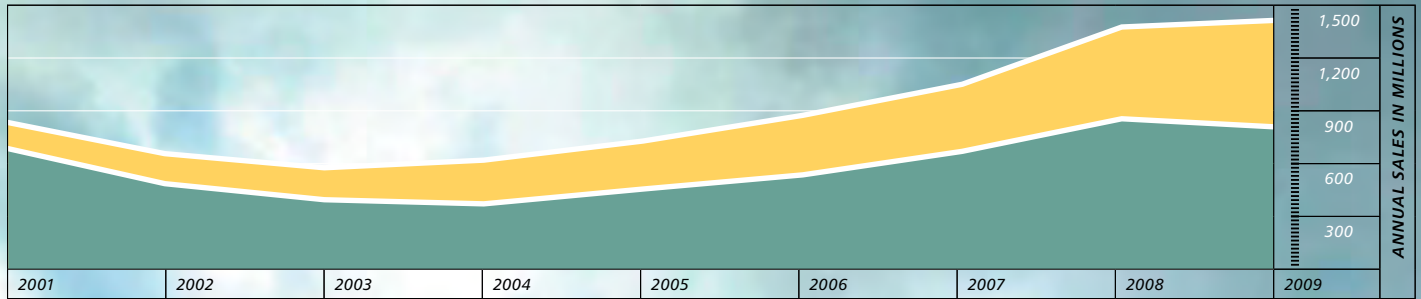
AAR has accelerated growth in high-value businesses to create a more balanced mix today.



	2001	2009
Structures and Systems	\$97.2	\$477.6
Maintenance, Repair and Overhaul	\$123.2	\$347.0
Aircraft Sales and Leasing	\$61.8	\$15.4
Aviation Supply Chain	\$565.8	\$584.0
Total	\$848.0	\$1,424.0

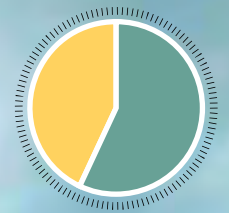
Commercial and government/defense: building balance

AAR has grown sales in government/defense from 17% to 43% of its total business over the past decade.



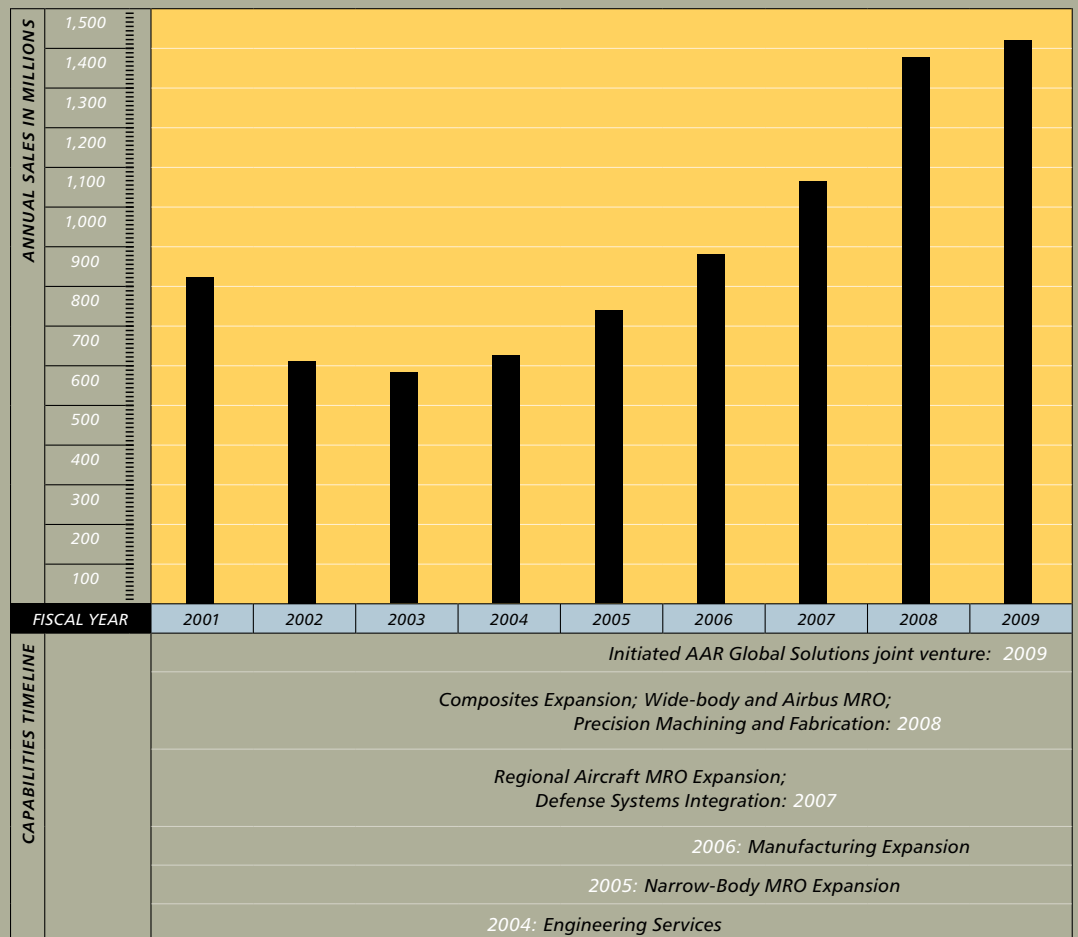
2001		
83%	Commercial	\$700.9
17%	Government/defense	\$147.1
Total		\$848.0

2009		
57%	Commercial	\$818.4
43%	Government/defense	\$605.6
Total		\$1,424.0



Expanding AAR's growth platform

As AAR has grown organically, it has continuously expanded its business, investing to create a more robust, diversified platform for long-term growth.



INNOVATION

INNOVATION IS KEY TO COMPETITIVENESS.

WHETHER A MARKET IS CHALLENGED OR GROWING,

COMPANIES WITH THE VISION AND ABILITY

TO DEVELOP A BETTER WAY ARE THE ONES THAT

WILL WIN. AAR INTENDS TO WIN.



Customer-focused innovation

Innovation comes from understanding. Game-changing innovation always begins with a strong grasp of customer issues and opportunities, which is at the heart of AAR's close-to-the-customer business model. Customer-focused innovation delivers value, and for our customers, value is no buzzword. Value has a very simple definition: getting more for their money.

In our supply chain business, innovation and value go beyond simply filling parts orders. This often means going from end to end to analyze the big picture. Supply chain innovation comes from our ability to understand the uniqueness of each customer's operational challenges, then to think beyond convention to deliver a unique solution that works.

In MRO, innovating and delivering value increasingly center on looking closely at a customer's business, then developing a solution that integrates a broader array of AAR offerings to deliver greater efficiencies and quality — at lower cost.

Building strong capabilities on the front end of the value chain

From engineering through manufacturing, innovation is integral to success. Here, being close to the customer — particularly in the design phases — can have a real impact on that customer's product differentiation through enhanced functionality, initial quality and effectiveness.

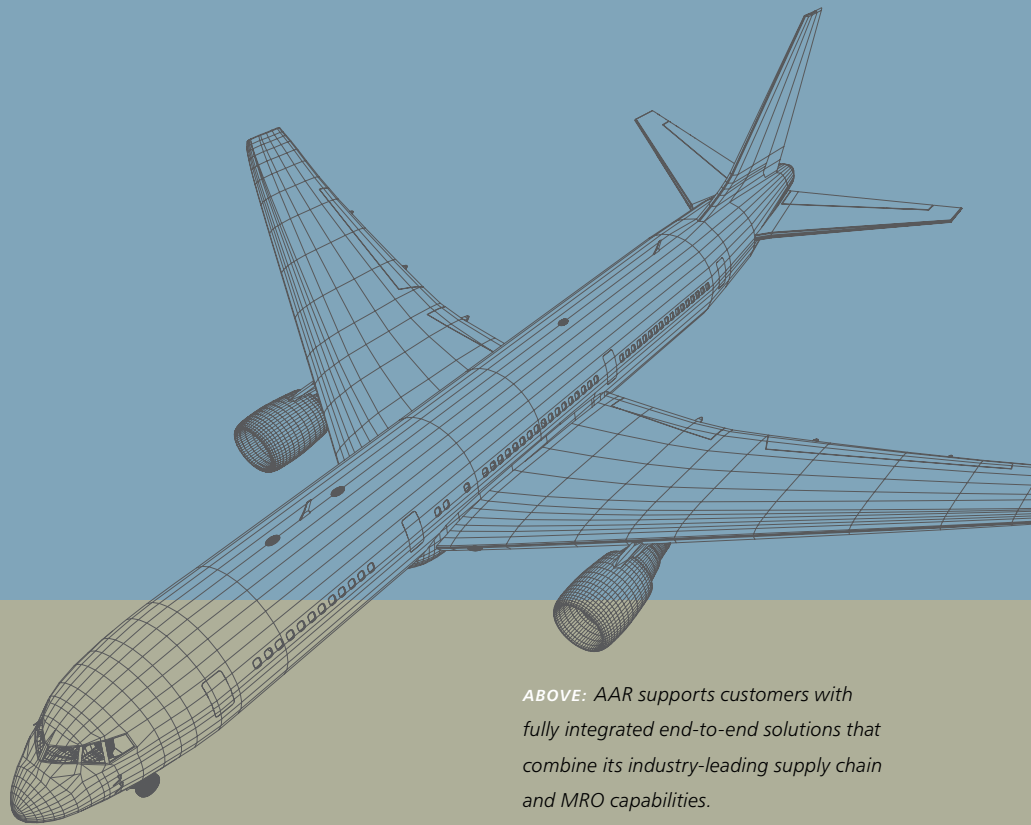
For a growing number of commercial aviation and government/defense customers over the past decade, AAR has become a trusted partner as designers and consulting engineers. At the same time, we have been extending our product lines and expanding our original equipment, subsystem and component manufacturing capabilities. In addition to advancements in cargo systems and mobility products, AAR's portfolio now includes fully integrated mobile command-and-control technologies, precision-milled parts, advanced composite structures and more.





ABOVE LEFT: Across AAR, employees are focused on efficiency improvements and innovations that translate directly into customer benefits.

ABOVE: AAR develops sophisticated diagnostic systems that combine aviation hardware with advanced software to monitor and optimize the performance of customer equipment.



ABOVE: AAR supports customers with fully integrated end-to-end solutions that combine its industry-leading supply chain and MRO capabilities.

Moving up the chain: higher-value technical services.

A significant element of AAR's diversification strategy is balancing its aftermarket leadership with a growing presence in engineering and original equipment manufacturing.

In MRO, AAR adds value with a full range of engineering services, from assisting with structural and avionics system modifications to feasibility studies, concept design and detailing, and structure analysis. AAR is also an industry leader in the design and manufacturing of advanced in-aircraft cargo loading and handling systems for both commercial and military applications.

LEFT: Engineering plays a vital role in the value that AAR delivers to customers and is integral to an increasing number of the Company's capabilities.

AAR has more than 450 engineering and manufacturing professionals dedicated to the design and fabrication of highly sophisticated precision-machined components for key defense and space programs, as well as commercial applications. AAR-designed and -manufactured composite components and subsystems, with their superior weight, corrosion resistance and tensile strength characteristics, are increasingly in demand for a wide range of next-generation aerospace applications.



EXECUTION

EXECUTION IS KEY TO SUCCESS. A STRATEGY ONLY HAS VALUE IF IT IS COMBINED WITH SOLID EXECUTION. BY DOING EXACTLY WHAT WE SAY WE'LL DO, WORKING TOGETHER ACROSS THE COMPANY, STRENGTHENING OUR FINANCIAL POSITION AND CAPITALIZING ON MARKET OPPORTUNITIES, WE ARE PUTTING OUR STRATEGY INTO ACTION.

Solid execution builds a growing reputation

With its strong focus on execution and continuous improvement, AAR is steadily moving up in key rankings published by industry-leading publications. A rising position in *Defense News'* Top 100 Defense Contractors shows that AAR is beginning to gain visibility in one of its key growth areas. AAR made *Aviation Week's* annual list of Top Performing Companies — fifth most improved in the \$1–5 billion range and third overall in the aerospace and defense MRO category.

Continuous improvement and operational excellence

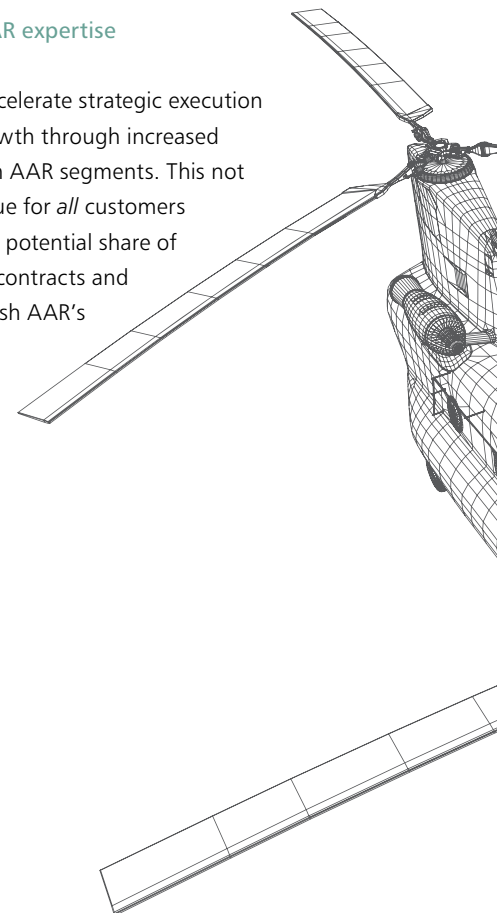
Continuous improvement is more than processes and initiatives — it's a mindset. AAR's Lean, Six Sigma and other programs are driving cultural change in which more and more employees become directly engaged in efficiency improvement. The focus: elimination of waste, reduced turn times and accelerated performance improvement in every corner of AAR's operations.

In our aircraft maintenance business, new work-in-progress procedures saved approximately \$400 thousand in productive time in fiscal 2009. In our landing gear business, Lean-related process improvements, software upgrades and work area displays dramatically improved timeliness of customer notifications and resulted in shorter overall turnaround times. AAR improved precision component manufacturing execution in FY09 through

the use of "visual factory" techniques along with new ways to increase strategic sourcing, optimize equipment utilization, reduce scrap and improve quality. These efforts began to move the needle toward the end of the fiscal year, showing improvement in key financial and customer satisfaction measures.

Better leveraging AAR expertise for customer value

We are working to accelerate strategic execution and drive organic growth through increased coordination between AAR segments. This not only creates more value for *all* customers but also increases our potential share of government/defense contracts and positions us to establish AAR's reputation as a prime contractor.





ABOVE LEFT: Technicians at AAR's component repair facilities use specialized equipment to simulate operating conditions and ensure that critical aircraft parts perform to precise specifications.

ABOVE RIGHT: AAR's advanced engineering capabilities include developing cargo systems designed to accommodate rugged anti-ballistic protection.

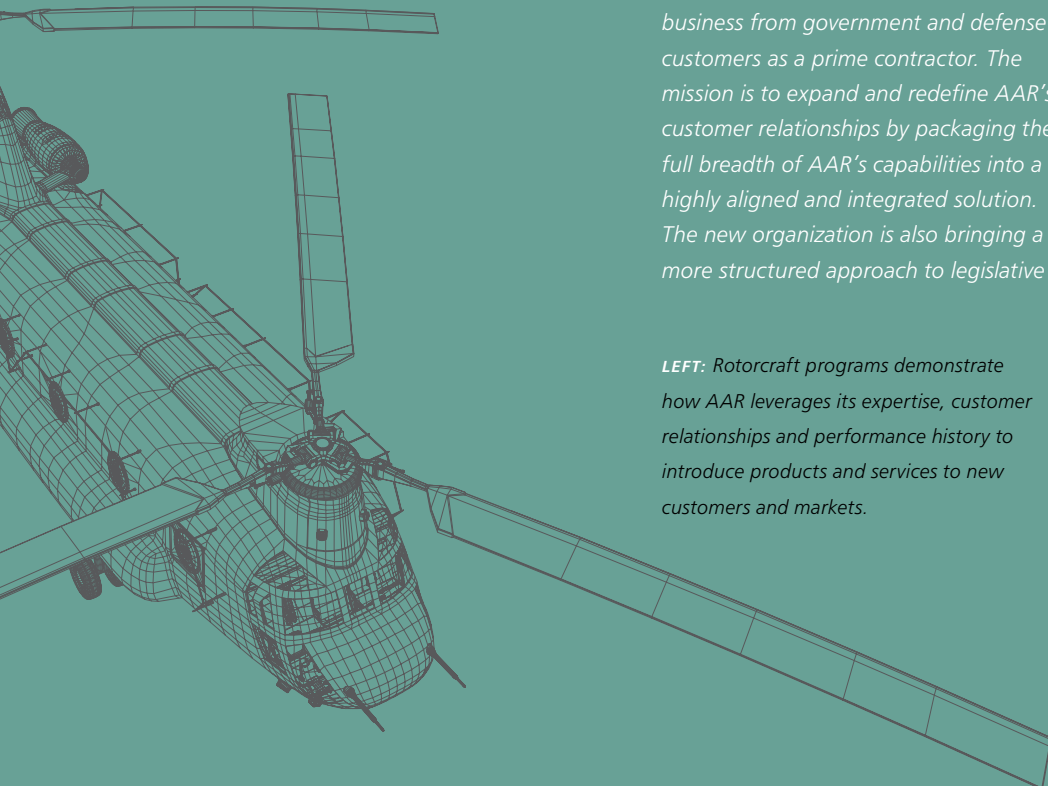
Government/defense: integrating capabilities, increasing presence.

With the formation of the Government and Defense Programs team, AAR has created an umbrella organization charged with coordinating efforts to compete for business from government and defense customers as a prime contractor. The mission is to expand and redefine AAR's customer relationships by packaging the full breadth of AAR's capabilities into a highly aligned and integrated solution. The new organization is also bringing a more structured approach to legislative

affairs to identify program requirements earlier in the contract bidding process and strengthen engagement with local, state and federal government.

The Government and Defense Programs organization is working closely with AAR Global Solutions, LLC, the Company's new international government/defense joint venture, to coordinate business development strategies. AAR Global Solutions was formed to pursue contracts from domestic and foreign customers in three key areas: Aircraft Services, providing comprehensive aviation support; Technical Services, which supports nation-building, relief and security functions; and Construction Services, comprising proven capabilities in managing bricks-and-mortar projects worldwide.

LEFT: Rotorcraft programs demonstrate how AAR leverages its expertise, customer relationships and performance history to introduce products and services to new customers and markets.



AAR leadership

An accomplished and experienced leadership team dedicated to integrity, fiscal responsibility, operational excellence, customer satisfaction and stockholder value.

CORPORATE OFFICERS

David P. Storch
Chairman and Chief Executive Officer

Timothy J. Romenesko
President and Chief Operating Officer

Michael K. Carr
Vice President, Tax and Assistant Treasurer

Peter K. Chapman
Vice President, Chief Commercial Officer

James J. Clark
Group Vice President, Aviation Supply Chain

Michael "Mickey" S. Cohen
Corporate Vice President, Quality and Compliance

John P. Johnson
Group Vice President, Aircraft Sales and Leasing

Kevin M. Larson
Vice President, Chief Information Officer

Randy J. Martinez
Vice President, Government and Defense Programs

Richard J. Poulton
Vice President, Chief Financial Officer and Treasurer

David E. Prusiecki
Vice President, Defense Programs

Robert J. Regan
Vice President, General Counsel and Secretary

Michael J. Sharp
Vice President, Controller and Chief Accounting Officer

Timothy O. Skelly
Vice President, Human Resources

Terry D. Stinson
Group Vice President, Structures and Systems

Donald J. Wetekam
Group Vice President, Maintenance, Repair and Overhaul

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

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Chairman and Chief Executive Officer, PQ Corporation
Chairman and Chief Executive Officer, Peak Investments

James G. Brocksmith, Jr.
Independent Business Consultant
Retired Deputy Chairman and Chief Operating Officer, KPMG LLP

Gerald F. Fitzgerald, Jr.
Chairman and President, Cornerstone Bancorp, Inc.
Chairman and President, LaSalle Bancorp, Inc.

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President and Chief Operating Officer, B Bar J Cattle Company
Founding Partner, Durango Group, LLC

James E. Goodwin
Chairman, Federal Signal Corporation
Retired Chairman and Chief Executive Officer, UAL, Inc. and United Airlines, Inc.

Patrick J. Kelly
Chief Executive Officer, Resource One
Managing Director, KMK & Associates, LLC

Timothy J. Romenesko
President and Chief Operating Officer, AAR CORP.

Marc J. Walfish
Founder, Merit Capital Partners

Ronald B. Woodard
Chairman, MagnaDrive, Inc.
Retired President, Boeing Commercial Airplane Group

Honorary
Ira A. Eichner, *Founder and Chairman of the Board Emeritus*

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James G. Brocksmith, Jr.
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Executive
David P. Storch, *Chairman*
James E. Goodwin
Marc J. Walfish

Compensation
James G. Brocksmith, Jr., *Chairman*
Michael R. Boyce
Ronald R. Fogleman
Patrick J. Kelly
Ronald B. Woodard

Nominating and Governance
Ronald R. Fogleman, *Chairman*
Michael R. Boyce
James E. Goodwin
Marc J. Walfish



Corporate Headquarters

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Transfer Agent and Registrar

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

Annual Meeting of Stockholders

The annual meeting of stockholders will be held at 9:00 a.m. (CDST) on Wednesday, October 14, 2009, at AAR 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 Secretary, AAR CORP., 1100 North Wood Dale Road, Wood Dale, Illinois 60191.

Special Counsel

Schiff Hardin LLP
 Chicago, Illinois

Ticker Symbol

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



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