AAR CORP.
Investor Presentation

2014 KeyBanc Capital Markets Industrial, Automotive & Transportation Conference

May 28 - 29, 2014
Forward-Looking Statements

This presentation includes certain statements relating to future results, which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on beliefs of Company management, as well as assumptions and estimates based on information currently available to the Company, and are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or those anticipated, including those factors discussed under Item 1A, entitled “Risk Factors,” included in the Company’s Form 10-K for the fiscal year ended May 31, 2013. Should one or more of these risks or uncertainties materialize adversely, or should underlying assumptions or estimates prove incorrect, actual results may vary materially from those described. These events and uncertainties are difficult or impossible to predict accurately and many are beyond the Company’s control. The Company assumes no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. For additional information, see the comments included in AAR’s filings with the Securities and Exchange Commission.
Key Investment Highlights

► Balanced portfolio of businesses

– **Leading provider of Aftermarket Solutions for the global aviation industry**
  - Maintenance, Repair and Overhaul (MRO)
  - Aviation Supply Chain
  - Airlift Services

– **Recognized market leader in cargo systems and specialized mobility products design and manufacturing**
  - Light weight, durable commercial cargo systems
  - Cargo systems, containers and shelters for defense applications

► Steady organic growth supplemented by accretive strategic acquisitions

► Strong financial position underpinned by strong free cash flow
Company Overview
Established Niche Player Serving Global Aviation & Aerospace

Leading provider of Aviation Services and specialized Technology Products to commercial and defense/govt. markets

- Diversified $2.1B+ revenue stream
- 60 years as a market leader in aviation support
- Over 6,000 employees at more than 60 locations worldwide
- Customer-centric business model
A Leader in Aviation Services

Aviation Services

► Number one independent provider of **aircraft maintenance, repair and overhaul (MRO) and modifications** in North America
  - Oklahoma City
  - Indianapolis
  - Miami
  - Hot Springs
  - Duluth
  - Lake Charles

► Ranked among the top providers of **aircraft parts and supply chain services** in the world
  - Supply chain management and logistics programs
  - Component repair and repair chain optimization services
  - Distribution of OEM components

► Leading provider of **Airlift Services**
A Leading Provider of Technology Products

Technology Products

► Leading provider of Cargo Systems
  – OEM: Airbus A320, A330, A340, and A400M, Boeing 747-8, CH-47 helicopter
  – Conversions: Airbus A330, Boeing 747-400 and 767-200/300
  – Manufactures the lightest certified cargo container in the industry
  – Driving innovations in RFID, GPS location monitoring and fire containment

► Leading provider of Mobility Products
  – Military and humanitarian applications
Strong Platform and High Value Add Partner to Customers…

Aviation Services

**Competitive Advantage**
- Experience
- Breadth of products
- Scale of network
- 1-MRO strategy
- Proprietary systems
- Government licenses

**Customer Benefits**
- Full service provider
- Lower cost solutions
  - Fewer people
  - Less capital
  - Avoiding obsolescence
- Faster service
- High-quality results

Technology Products

**Competitive Advantage**
- Innovative products
- Design & certification capabilities
- Fully integrated with OEM

**Customer Benefits**
- Strong Tier 1 and Tier 2 partner
- Life cycle cost reduction
- Lower-weight systems

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**Customer-centric** value proposition

* Percentages reflect FY 2013
Strong portfolio of aerospace and defense businesses provides balance, strength and consistency through industry cycles

*Percentages reflect FY 2013
Strong Customer Relationships

Airlines
- AeroMexico
- Air Canada
- Air France
- Alaska Airlines
- British Airways
- Cathay Pacific
- China Airlines
- Delta
- ExpressJet
- flybe
- Lufthansa
- Singapore Airlines
- Southwest Airlines
- United

OEMs
- Airbus
- Bombardier
- Boeing
- Gulfstream
- Hamilton Sundstrand
- Honeywell
- Liebherr
- Lockheed Martin
- Northrop Grumman
- Sikorsky
- Unison

Cargo & Leasing
- FedEx
- UPS
- DHL
- ILFC

Government
- U.S. DoD
- U.S. Marshals Service
- U.K. MoD
- Colombian Air Force
Financial Performance
Navigated Through Five Major Industry Cycles

After each down cycle, AAR has emerged a **stronger and more diverse** company

*As reported FY Sales*
AAR Today: A Diversified $2B+ Business

Diverse capabilities + unique value propositions = steady growth

* EBITDA is defined in the Appendix
### Income Statement Highlights

<table>
<thead>
<tr>
<th>($ in million)</th>
<th>3Q FY2014</th>
<th>3Q FY2013</th>
<th>2Q FY2014</th>
<th>3Q FY'14 Favorable / (Unfavorable) vs.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>$474.4</td>
<td>$520.2</td>
<td>$540.7</td>
<td>($45.8)</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>$78.7</td>
<td>$76.2</td>
<td>$91.0</td>
<td>$2.5</td>
</tr>
<tr>
<td>% Margin</td>
<td>16.6%</td>
<td>14.6%</td>
<td>16.8%</td>
<td>2.0%</td>
</tr>
<tr>
<td><strong>SG&amp;A</strong></td>
<td>$45.6</td>
<td>$41.8</td>
<td>$51.1</td>
<td>($3.8)</td>
</tr>
<tr>
<td>% Margin</td>
<td>9.6%</td>
<td>8.0%</td>
<td>9.5%</td>
<td>(1.6%)</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>$33.7</td>
<td>$37.6</td>
<td>$40.7</td>
<td>($3.9)</td>
</tr>
<tr>
<td>% Margin</td>
<td>7.1%</td>
<td>7.2%</td>
<td>7.5%</td>
<td>(0.1%)</td>
</tr>
<tr>
<td><strong>Net Interest</strong></td>
<td>$10.4</td>
<td>$9.8</td>
<td>$10.2</td>
<td>($0.6)</td>
</tr>
<tr>
<td>Expense</td>
<td></td>
<td></td>
<td></td>
<td>($0.2)</td>
</tr>
<tr>
<td><strong>Income Tax</strong></td>
<td>$5.3</td>
<td>$9.3</td>
<td>$10.5</td>
<td>$4.0</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$17.9</td>
<td>$18.4</td>
<td>$20.0</td>
<td>($0.5)</td>
</tr>
<tr>
<td><strong>Avg. Dil. Shares</strong></td>
<td>39.1</td>
<td>40.6</td>
<td>39.2</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Diluted EPS</strong></td>
<td>$0.45</td>
<td>$0.46</td>
<td>$0.50</td>
<td>($0.01)</td>
</tr>
<tr>
<td><strong>Street Consensus</strong></td>
<td>$0.47</td>
<td>$0.46</td>
<td>$0.48</td>
<td>$0.01</td>
</tr>
</tbody>
</table>

Weaker than expected top-line financial performance
## Balance Sheet & Cash Flow Highlights

<table>
<thead>
<tr>
<th></th>
<th>3Q FY2014</th>
<th>3Q FY2013</th>
<th>2Q FY2014</th>
<th>3Q FY'14 Favorable / (Unfavorable) vs.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3Q’13</td>
<td>2Q’14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Debt</td>
<td>$714.4</td>
<td>$722.8</td>
<td>$680.8</td>
<td>$8.4</td>
</tr>
<tr>
<td>Cash</td>
<td>$114.7</td>
<td>$47.4</td>
<td>$98.5</td>
<td>$67.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$16.2</td>
</tr>
<tr>
<td>Net Debt</td>
<td>$599.7</td>
<td>$675.4</td>
<td>$582.3</td>
<td>$75.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>($17.4)</td>
</tr>
<tr>
<td>LTM EBITDA</td>
<td>$239.2*</td>
<td>$246.2</td>
<td>$243.8*</td>
<td>($7.0)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>($4.6)</td>
</tr>
<tr>
<td>Total Debt/ LTM</td>
<td>3.0x</td>
<td>2.9x</td>
<td>2.8x</td>
<td>(0.1x)</td>
</tr>
<tr>
<td>EBITDA</td>
<td></td>
<td></td>
<td></td>
<td>(0.2x)</td>
</tr>
<tr>
<td>Net Debt/ LTM EBITDA</td>
<td>2.5x</td>
<td>2.7x</td>
<td>2.4x</td>
<td>0.2x</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(0.1x)</td>
</tr>
<tr>
<td>Operating Cash Flow</td>
<td>$10.3</td>
<td>$27.5</td>
<td>$38.8</td>
<td>($17.2)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>($28.5)</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$3.4</td>
<td>$22.6</td>
<td>$31.7</td>
<td>($19.2)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>($28.3)</td>
</tr>
<tr>
<td>Available Liquidity</td>
<td>$439.9</td>
<td>$243.8</td>
<td>$463.9</td>
<td>$196.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>($24.0)</td>
</tr>
</tbody>
</table>

### Maintaining strong balance sheet & credit statistics

*1Q FY2014 and 4Q FY2013 LTM EBITDA adjusted for $29.8 million KC-10 charge.
Leverage & Liquidity Levels

Net Debt, Available Cash & Leverage Levels

<table>
<thead>
<tr>
<th>($ in million)</th>
<th>Q3'12</th>
<th>Q4'12</th>
<th>Q1'13</th>
<th>Q2'13</th>
<th>Q3'13</th>
<th>Q4'13</th>
<th>Q1'14</th>
<th>Q2'14</th>
<th>Q3'14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Debt</td>
<td>821.0</td>
<td>792.2</td>
<td>787.6</td>
<td>778.9</td>
<td>722.8</td>
<td>708.6</td>
<td>702.2</td>
<td>680.8</td>
<td>714.4</td>
</tr>
<tr>
<td>Cash</td>
<td>59.3</td>
<td>67.7</td>
<td>67.7</td>
<td>69.2</td>
<td>47.4</td>
<td>75.3</td>
<td>90.9</td>
<td>98.5</td>
<td>114.7</td>
</tr>
<tr>
<td>Available Cash</td>
<td>329.8</td>
<td>386.9</td>
<td>360.0</td>
<td>363.8</td>
<td>332.9</td>
<td>417.5</td>
<td>435.9</td>
<td>463.9</td>
<td>439.9</td>
</tr>
<tr>
<td>Total Debt / LTM EBITDA</td>
<td>3.7x</td>
<td>3.5x</td>
<td>3.3x</td>
<td>3.2x</td>
<td>2.9x</td>
<td>2.9x</td>
<td>2.9x</td>
<td>2.8x</td>
<td>3.0x</td>
</tr>
<tr>
<td>Net Debt / LTM EBITDA</td>
<td>3.4x</td>
<td>3.2x</td>
<td>3.0x</td>
<td>2.9x</td>
<td>2.7x</td>
<td>2.6x</td>
<td>2.5x</td>
<td>2.4x</td>
<td>2.5x</td>
</tr>
</tbody>
</table>
AAR Delivers

Sustained Growth

• Revenue CAGR of ~9% over the last five years

Leading Position in Niche Commercial Markets

• #1 MRO in North America; #3 worldwide*
• Voted Parts Supplier of the Year**

Strong Cash Flow

• Superior cash generating profile with free cash flow >2.0x Net Income

* Source: Aviation Week magazine, 2013
** Source: Airline Economics magazine, 2012
Appendix
Non-GAAP Disclosure Reconciliation

Pursuant to SEC Regulation G, the Company has included the following reconciliation of operating income reported on the basis of Generally Accepted Accounting Principles ("GAAP") to Adjusted EBITDA on a non-GAAP basis. The Company believes the non-GAAP Adjusted EBITDA and ratios using Adjusted EBITDA are used by banks, debt holders and investors as important measures of the Company’s performance and ability to service debt obligations.

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income attributable to AAR</td>
<td>$68.2</td>
<td>$56.8</td>
<td>$44.6</td>
<td>$69.8</td>
<td>$67.7</td>
<td>$55.0</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>36.6</td>
<td>27.5</td>
<td>21.0</td>
<td>33.6</td>
<td>25.5</td>
<td>26.8</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>27.7</td>
<td>30.0</td>
<td>25.8</td>
<td>30.3</td>
<td>36.5</td>
<td>40.1</td>
</tr>
<tr>
<td>Loss (gain) on debt extinguishment</td>
<td>2.0</td>
<td>(14.7)</td>
<td>(0.9)</td>
<td>(0.1)</td>
<td>0.7</td>
<td>0.3</td>
</tr>
<tr>
<td>Loss (gain) on sale of investments</td>
<td>(0.5)</td>
<td>1.4</td>
<td>1.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loss from Discontinued Operations net of Tax</td>
<td>0.6</td>
<td>1.9</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation &amp; Amortization</td>
<td>39.6</td>
<td>40.1</td>
<td>38.9</td>
<td>57.8</td>
<td>72.0</td>
<td>79.7</td>
</tr>
<tr>
<td>Amortization of Stock-Based Compensation</td>
<td>6.4</td>
<td>6.2</td>
<td>9.3</td>
<td>12.3</td>
<td>12.5</td>
<td>11.1</td>
</tr>
<tr>
<td>Gain on sale of product line</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(5.9)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairment &amp; Non-recurring Charges</td>
<td>-</td>
<td>31.1</td>
<td>-</td>
<td>5.3</td>
<td>13.2</td>
<td>29.8</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>$180.6</td>
<td>$180.3</td>
<td>$139.9</td>
<td>$203.1</td>
<td>$228.1</td>
<td>$242.8</td>
</tr>
</tbody>
</table>