AAR CORP.

Bernstein
Industrial & Basic Materials Summit

New York
May 7 - 8, 2015
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, 2014. 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.
Company Overview
Established Player Serving the Global Aviation Services Market

Leading provider of:
► Aviation Services
► Expeditionary Services

to commercial and defense / govt. markets

► NYSE: AIR
► $1.8B revenue
► Over 5,000 employees at more than 60 countries worldwide
► Close-to-customer business model
Path to “New” AAR | Recent Corporate Developments

- Sold Telair Cargo Group – Telair Europe, Nordisk and U.S. Cargo loading manufacturing units
  - Transaction value is $725 million (subject to adjustments)
  - Net Proceeds greater than $600 million (after estimated cash taxes and expenses)
- Discontinued Operations of Precision Systems Manufacturing
  - Recorded impairment charge of $46 million in 3Q FY2015
  - Sale process ongoing and expected to be finalized in 1Q FY2016
- Recapitalization
  - Redeemed $325 million 7.25% High Yield Notes
    - $45.6 million make-whole premium
    - $23.6 million in annual interest cost savings
  - Refinanced revolving credit facility
  - Improved credit ratings
    - S&P upgraded AAR Corp. to BB+, with stable outlook
  - Received Board authorization for $250 million share repurchase
  - Commenced Dutch Tender for $135 million (closing target date May 22, 2015)
    - Repurchase price range $29.00 - $32.00 per share
- Reduction of approximately 20% of corporate costs

Executing Portfolio Optimization & Recapitalization
Path to “New” AAR | 4Q FY2015 Anticipated Actions

- Sale of Telair Cargo Group
- Sale of underperforming assets
  - Commercial aircraft portfolio optimization
  - Inventory sales
  - Airlift asset sales
- Refinancing
  - Make-Whole premium
  - Write-off of unamortized financing costs
  - Termination of interest rate swap

Gain of approximately $200 million
- Generating cash of approximately $600 million
- Charges of approximately $55 - $70 million
- Generating cash of approximately $55 - $70 million
- Charges of approximately $45 - $50 million
- Annual savings of approximately $25 million

Reduction in Net Invested Capital
Goal = ROIC Improvement
Path to “New” AAR | Rationale for Transactions

- Repositions AAR as an industry-leading aviation services company by streamlining operations, focusing on higher-margin activities, and delivering best-in-class services to customers.

- Creates immediate value for AAR’s shareholders:
  - Crystalizes valuation
  - Improves AAR’s overall return profile
  - Unlocks significant capital to pay down high-cost debt and repurchase shares
  - Net proceeds further position the Company to invest in long-term growth in its core services business

Simpler and More Focused Company
## Company Overview

### Aviation Services ~$1.5B

<table>
<thead>
<tr>
<th>Aftermarket Parts Supply</th>
<th>MRO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programs</td>
<td></td>
</tr>
<tr>
<td>PBH</td>
<td>Airframe heavy maintenance</td>
</tr>
<tr>
<td>Repair Management</td>
<td>Component repair</td>
</tr>
<tr>
<td>Distribution, C&amp;E</td>
<td>Landing gear repair and exchange</td>
</tr>
<tr>
<td>Trading</td>
<td>Engineering services</td>
</tr>
</tbody>
</table>

### Expeditionary Services ~$0.3B

<table>
<thead>
<tr>
<th>Airlift</th>
<th>Mobility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed- and rotary-wing expeditionary airlift services</td>
<td>Pallets, containers, shelter systems and accessories</td>
</tr>
<tr>
<td>Mission support, logistics resupply and training</td>
<td>Support services and special mission projects</td>
</tr>
<tr>
<td>Aircraft modification</td>
<td></td>
</tr>
</tbody>
</table>

- Commercial and government end-markets
- Government end-markets
### Aviation Services | Aftermarket Parts Supply

**Rotable Programs**
- Over 1,000 Aircraft supported
- Over 150,000 ROs / year
- Over $600M repair spend / year
- Over 10,000 P/Ns supported
- 25 Customers
- Over 50 worldwide locations

**Expendable Programs**
- Over $100M of C&E inventory holdings
- Over 200,000 annual shipments
- 25 key OEM partners
- Over 70,000 P/Ns supported
- Over 900 customers worldwide
- Over 1M sf of warehouse space

**Distribution**
- Sales of new parts to:
  - Commercial aviation
  - Defense aviation
- 50+ OEM distributorships
- 20,000+ line items available
- ~$70M inventory on hand

**Parts Trading**
- > 1 million parts
- Offices and stocking locations in 12 countries
- Sales, exchanges, leases, consignments
- >$300M inventory on hand
Aviation Services | MRO

Airframe Maintenance Facilities

Oklahoma City
- Regional & Narrow body
- 300,000 sf in six hangars
- Full airframe paint capabilities

Indianapolis
- Narrow & Wide body
- 1.1 Million sf in 10 hangars
- Full airframe paint capabilities

Hot Springs
- Regional aircraft
- 60,000 sf in two hangars

Miami
- Narrow & Wide body
- 226,000 sf in three hangars
- Full airframe paint capabilities

Duluth
- Regional & Narrow body
- 80,000 sf open hangar floor space

Lake Charles
- Narrow and Wide body
- Capable of handling aircraft as large as A380
- 520,000 sf facility in six hangars

MRO
- #1 MRO of the Americas
- 5 million Man hours
- 1,082 aircraft maintained, repaired or overhauled

Rockford
- 7th Facility
- Under Construction

Landing Gear & Component Services
- 120,000sf Landing Gear facility
- >300 Landing Gear Customers
- 250,000sf Component Services facilities
- >10,000 High-value serviced components

AAR® Celebrating 60 years
Expeditionary Services

**Airlift**
- Rotary & fixed wing flight operations
- Austere environments
- Search & rescue
- Personnel, cargo, combi, and external cargo capable
- Day, night, & all-weather operations

**Mobility**
- **Shelter systems** – transportable by air, land and sea and patented for rapid on- and off-loading
- **ISU containers** – customizable shipping and storage of equipment, spare parts, high value cargo
- **Expeditionary systems** – mobile power, water purification, maintenance & calibration shops
- **Palletized systems** - custom pallets & platforms for short-term storage and quick movement of cargo
Serving Niche and Growing Aviation Markets

Global MRO Market

- 2013: $61B
- 2023: $90B
- $20B growth
- Modifications: ~20%
- Heavy Airframe: ~21%
- Line: ~22%
- Components: ~23%
- Engine: ~20%

Parts Distribution & Surplus Parts Market

- 2013: $12B
- 2021: $17B
- $5B growth
- B&GA Surplus: ~68%
- B&GA Distribution: ~67%
- Military Surplus: ~67%
- Military Distribution: ~68%
- Air Transport Surplus: ~23%

Macro Trend

- Continued MRO outsourcing
- OEM push into certain MRO markets
- Overseas wide-body aircraft maintenance

AAR Impact/Response

- AAR growth
- Margin pressure
- Opening of Lake Charles low-cost facility
- AAR taking market share
- Pipeline of opportunities
- Plans to build capabilities

Source: ICF International

Denotes AAR market presence
**Strong Customer Relationships**

### Airlines
- Aeromexico
- Air Canada
- Air France
- Alaska Airlines
- British Airways
- Cathay Pacific
- China Airlines
- Delta
- Expressjet
- Kenya Airways
- Lufthansa
- Singapore Airlines
- Southwest Airlines
- United

### OEMs
- Airbus
- Bombardier
- Boeing
- Eaton
- Gulfstream
- Hamilton Sundstrand
- Honeywell
- Liebherr
- Lockheed Martin
- Northrop Grumman
- Raytheon
- Sikorsky
- A United Technologies Company
- Unison

### Cargo & Leasing
- FedEx
- UPS
- DHL
- ILFC

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

After Each Down Cycle, AAR Has Emerged as a Stronger Company
3Q FY2015 Highlights

- Sales of $380.1 million
- EPS of $0.05 per share from continuing operations, ($0.94) per share from discontinued operations. Results included:
  - $46.4 million pre-tax impairment charge for write-down of Precision Systems Manufacturing
  - $4.7 million pre-tax impairment charge to reduce carrying value of aircraft for sale
  - $2.5 million of severance due to downsizing and costs related to government proposals
- Operating Margin of 2.4% lower than prior year period, largely due to one-off items and lower aircraft flying positions at Airlift
- Operating cash flow of ($22.0) million, after continued investment in Supply Chain programs and lower cash generation at Airlift
- Reduced net debt by $24 million from prior year period

Quarterly Performance Impacted by One-Time Items Related to Sale of Precision Systems Manufacturing and Lower Airlift Activity
### 3Q FY2015 Income Statement Highlights

<table>
<thead>
<tr>
<th></th>
<th>3Q15</th>
<th>3Q14</th>
<th>2Q15</th>
<th>Variance Better / (Worse)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Prior Year</td>
<td></td>
<td>Prior Quarter</td>
<td>PY</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>$380.1</td>
<td>$399.9</td>
<td>$403.4</td>
<td>($19.8)</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>$50.0</td>
<td>$66.3</td>
<td>$67.3</td>
<td>($16.3)</td>
</tr>
<tr>
<td><strong>% Margin</strong></td>
<td>13.2%</td>
<td>16.6%</td>
<td>16.7%</td>
<td>(3.4%)</td>
</tr>
<tr>
<td><strong>SG&amp;A</strong></td>
<td>$41.6</td>
<td>$37.7</td>
<td>$40.1</td>
<td>($3.9)</td>
</tr>
<tr>
<td><strong>% Margin</strong></td>
<td>11.0%</td>
<td>9.4%</td>
<td>9.9%</td>
<td>(1.5%)</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>$8.9</td>
<td>$29.1</td>
<td>$27.8</td>
<td>($20.1)</td>
</tr>
<tr>
<td><strong>% Margin</strong></td>
<td>2.4%</td>
<td>7.3%</td>
<td>6.9%</td>
<td>(4.9%)</td>
</tr>
<tr>
<td><strong>Net Interest Expense</strong></td>
<td>($6.3)</td>
<td>($6.8)</td>
<td>($6.5)</td>
<td>($0.4)</td>
</tr>
<tr>
<td><strong>Income Tax</strong></td>
<td>($0.7)</td>
<td>($5.3)</td>
<td>($7.5)</td>
<td>($4.7)</td>
</tr>
<tr>
<td><strong>Income from Continuing Ops.</strong></td>
<td>$1.9</td>
<td>$17.0</td>
<td>$13.9</td>
<td>($15.0)</td>
</tr>
<tr>
<td><strong>Avg. Dil Shares</strong></td>
<td>39.2</td>
<td>39.1</td>
<td>39.1</td>
<td>(0.1)</td>
</tr>
<tr>
<td><strong>Diluted EPS</strong></td>
<td>$0.05</td>
<td>$0.42</td>
<td>$0.35</td>
<td>($0.38)</td>
</tr>
<tr>
<td><strong>Consolidated Net Income</strong></td>
<td>($34.5)</td>
<td>$17.9</td>
<td>$15.2</td>
<td>($52.4)</td>
</tr>
<tr>
<td><strong>Consolidated EPS</strong></td>
<td>($0.89)</td>
<td>$0.45</td>
<td>$0.38</td>
<td>($1.34)</td>
</tr>
</tbody>
</table>
### 3Q FY2015 Leverage & Liquidity Levels

#### Net Debt Evolution

<table>
<thead>
<tr>
<th>($ in million)</th>
<th>Q3’13</th>
<th>Q4’13</th>
<th>Q1’14</th>
<th>Q2’14</th>
<th>Q3’14</th>
<th>Q4’14</th>
<th>Q1’15</th>
<th>Q2’15</th>
<th>Q3’15</th>
<th>PF Q4’15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Debt</td>
<td>722.8</td>
<td>708.6</td>
<td>702.2</td>
<td>680.8</td>
<td>714.4</td>
<td>634.0</td>
<td>627.1</td>
<td>635.3</td>
<td>643.3</td>
<td>~200.0</td>
</tr>
<tr>
<td>Cash</td>
<td>47.4</td>
<td>75.3</td>
<td>90.9</td>
<td>98.5</td>
<td>114.7</td>
<td>89.2</td>
<td>81.8</td>
<td>92.6</td>
<td>67.0</td>
<td>~70.0</td>
</tr>
<tr>
<td>Available Cash</td>
<td>332.9</td>
<td>417.5</td>
<td>435.9</td>
<td>463.9</td>
<td>439.9</td>
<td>424.5</td>
<td>417.0</td>
<td>387.4</td>
<td>346.5</td>
<td>&gt;400.0</td>
</tr>
<tr>
<td>Total Debt / LTM EBITDA</td>
<td>2.9x</td>
<td>2.9x</td>
<td>2.9x</td>
<td>2.8x</td>
<td>3.0x</td>
<td>2.7x</td>
<td>2.8x</td>
<td>2.7x</td>
<td>3.2x*</td>
<td>&lt;2.0x</td>
</tr>
<tr>
<td>Net Debt / LTM EBITDA</td>
<td>2.7x</td>
<td>2.6x</td>
<td>2.5x</td>
<td>2.4x</td>
<td>2.5x</td>
<td>2.3x</td>
<td>2.4x</td>
<td>2.3x</td>
<td>2.9x*</td>
<td>&lt;1.0x</td>
</tr>
</tbody>
</table>

#### Continued Deleveraging Trend

* Credit metrics temporarily higher due to pending High Yield Notes redemption.
### 3Q FY2015 Debt Composition

#### Maturity Tower

<table>
<thead>
<tr>
<th>Year</th>
<th>RCF</th>
<th>Huntington</th>
<th>DBJ Facility</th>
<th>HY Notes</th>
<th>Convert 2.25%</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2015</td>
<td>23.0</td>
<td>215.0</td>
<td></td>
<td></td>
<td>49.8</td>
<td>11.0</td>
</tr>
<tr>
<td>FY 2016</td>
<td>61.0</td>
<td>185.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 2017</td>
<td>20.0</td>
<td>20.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 2018</td>
<td>185.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 2019</td>
<td>25.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 2022</td>
<td></td>
<td></td>
<td></td>
<td>325.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Monthly amortization of $700k. **Amortization of $5m every six months.*

As of Feb. 28 - $215 million of available capacity + $100 million accordion

Redemption of Notes commenced & concluded post-Telair Cargo cash receipt in April
4Q FY2015E Pro Forma Debt Composition

Maturity Tower

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>RCF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DBJ Facility</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20.0*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convert 2.25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>49.8</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>25.0</td>
</tr>
</tbody>
</table>

* Amortization of $5m every six months.

New Revolving Credit Facility as of March 24, 2015

* Amortization of $5m every six months.
## Key Investment Highlights

### AAR Value Drivers
- Long-term aftermarket growth
- Strong and deep relationship with key industry players
- Time-proven, value-added service provider
- Strong balance sheet

### Investment Proposition
- Industry-leading positions
- Focus on EPS growth
- Improved ROIC performance
- Strong credit profile

---

**Commitment to Strong Shareholder Returns**
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.

($ in millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<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>
<td>$73.2</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>
<td>32.1</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>
<td>40.4</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>
<td>-</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>
<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>
<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>
<td>80.4</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>
<td>8.7</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>
<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>
<td>-</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>
<td>$234.8</td>
</tr>
</tbody>
</table>