



Strength for the future

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AAR's strengths — partnerships, performance, industry knowledge and a global team of professionals — are a result of our continued commitment to Doing It Right®. They set us apart and position us to meet the rising opportunities that lie ahead.

Dear fellow shareholders,



John M. Holmes
President and Chief Executive Officer

The COVID-19 pandemic impacted the commercial aviation industry and workforce in ways never seen before. At AAR, one of our core values is “Find a Way. Every Day” and that was never more important than in Fiscal Year (FY) 2021. Our team of dedicated employees worked tirelessly to deliver outstanding service to our customers and strong performance for our shareholders. AAR entered the pandemic from a position of strength and we are emerging even stronger.

During the year we focused on cash generation, margin improvement and business optimization. We exited non-core and underperforming activities and invested in processes that will drive increased efficiency going forward. These actions resulted in sequential quarterly progress throughout the year and we expect continued improvements as the market recovers.

In addition to the progress we made in reshaping the business, we also increased our ESG efforts. Highlights and achievements are included on pages 10 and 11. More in-depth details of our ESG efforts can be found on our homepage <https://www.aarcorp.com/about/environmental-social-governance-esg/>.

AAR's highlights and developments from our FY21 follow below.

Financial results

FY21 consolidated sales were \$1.7 billion, a decrease of 20% from FY20 due to the impact of COVID. Our full FY21 income from continuing operations was \$46 million, or

\$1.30 per diluted share. Our adjusted diluted earnings per share from continuing operations was \$1.31 in the current year, compared to \$2.15 last year, reflecting the impact of COVID on our commercial business. As we continue to invest capital to grow organically and support our customers, our leadership team focuses on revenue growth, operational income, cash conversion and ROIC.

Operational highlights

Signs of market recovery in the commercial space are encouraging. We are confident that our differentiated low-cost solutions will see greater demand as airline customers continue to increase flying activity. AAR's entrepreneurial nature sets us apart — finding new market opportunities continues to be our focus.

As one of the largest providers of used serviceable material and distributor of new parts in the world, we have also focused on expanding material supply for our customers. In FY21, AAR's OEM Solutions team expanded our longstanding partnership with Unison Industries with an 11-year, \$1 billion extension. AAR serves as a value-add salesforce multiplier for Unison's aftermarket OEM supply chain. Our Parts Supply team signed with Fortress Transportation and Infrastructure Investors an exclusive seven-year partnership to service the growing demand for used serviceable material (USM).

AAR's digital services team is continuously developing innovative solutions, with a focus on digital integration at our MRO locations. Incorporating visual work assessments and signoffs, using drones and wearable technology for inspections and conducting virtual audits via handheld devices will optimize our MRO work with increased data transparency. In addition, we made several enhancements to our PAARTS StoreSM, AAR's ecommerce site for aircraft parts to check inventory availability, order parts and track project status at any time, from any place.

In the government market, AAR saw continued strong performance across global government contracts. Sales to government and defense contractors in FY21 comprised 51% of consolidated sales, compared to 38% in the year prior, reflecting both meaningful growth in our government business and the impact of COVID on our commercial business. AAR currently serves as a prime contractor to the U.S. Air Force, U.S. Army, U.S. Marine Corps, U.S. Marshals Service, U.S. Navy and U.S. Department of State (DoS). The valuable skills of our military veteran employee base significantly contribute to our company's success in supporting government customers. Veterans comprise nearly one-quarter of AAR's U.S. workforce and are a cornerstone of our talent acquisition efforts.

AAR is committed to creating a safe and engaging environment for our nearly 5,000 employees around the globe, and to diverse hiring and STEM-focused education as we develop our talent pipeline. In FY21, Bloomberg named AAR one of the top 200 federal contractors in the U.S., VIQTORY recognized AAR as a Military Friendly[®] Employer, U.S. Veterans Magazine awarded AAR again with the title "Best of the Best 2021 — Top Veteran-Friendly

Companies" and Forbes named us to the "America's Best Midsize Employers" for the third time. We introduced the first all-female class of technicians-in-training at our Miami MRO facility and partnered with the Corporation for Skilled Workforce and the Lumina Foundation to grow and diversify the aviation maintenance talent pool. The U.S. Department of Labor's Employment and Training Division recognized our EAGLE Career Pathway Program, dedicated to growing the aviation maintenance technician pipeline, as a nationally registered apprenticeship. We also signed a Memorandum of Understanding with the American Association of Port Authorities' ACCELeRate! Apprenticeship Program, solidifying our commitment to expanding apprenticeship opportunities in the aviation industry.

I would like to thank our customers for their partnership, our stockholders for their confidence in AAR and our Board of Directors for their guidance. I specifically wish to extend my gratitude to our employees for their continued dedication, especially for all their sacrifices during this time of uncertainty, to maintaining the highest level of service to our customers around the world.

We look forward to continuing our commitment to Doing It Right[®], together.



John M. Holmes
President and Chief Executive Officer

Selected financial highlights

(dollars in millions except per share data)

For the year ended May 31	2021	2020	2019	2018	2017
Operating performance					
Net sales	\$ 1,652.3	\$ 2,072.0	\$ 2,051.8	\$ 1,748.3	\$ 1,590.8
Operating income	85.2	41.3	98.3	86.0	82.3
Diluted earnings per share from continuing operations	\$ 1.30	\$ 0.71	\$ 2.40	\$ 2.11	\$ 1.51
Financial position					
Working capital	600.2	1,055.6	595.0	609.4	553.4
Total assets	1,539.7	2,079.0	1,517.2	1,524.7	1,504.1
Total debt	135.2	602.0	142.9	178.9	156.2
Stockholders' equity	974.4	902.6	905.9	936.3	914.2

Adjusted operating income

(in millions)

For the year ended May 31	2021	2020
Operating income	\$ 85.2	\$ 41.3
Investigation and remediation costs	4.4	10.1
Loss on sale of business	20.2	—
Contract termination/restructuring costs and loss provisions, net	9.3	31.3
Asset impairment charges	7.0	11.0
Facility consolidation and repositioning costs	4.5	4.9
Severance and furlough costs, net	9.0	7.1
Customer bankruptcy and credit charges	4.9	1.6
Government COVID-related subsidies, net	(56.2)	(2.8)
Strategic financing evaluation costs	1.0	0.4
Adjusted operating income	\$ 89.3	\$ 104.9

Adjusted diluted EPS from continuing operations^(a)

For the year ended May 31	2021	2020
Diluted earnings per share from continuing operations	\$ 1.30	\$ 0.71
Investigation and remediation compliance costs	0.10	0.22
Loss on sale of business	0.44	—
Contract termination/restructuring costs and loss provisions, net	0.20	0.68
Customer bankruptcy and credit charges	0.10	0.04
Asset impairment charges	0.15	0.25
Government COVID-related subsidies, net	(1.22)	(0.06)
Facility consolidation and repositioning costs	0.09	0.11
Severance, furlough and pension settlement charges, net	0.22	0.19
Gain on legal settlement	(0.09)	—
Strategic financing evaluation costs	0.02	0.01
Adjusted diluted EPS from continuing operations	\$ 1.31	\$ 2.15

(a) All adjustments are presented net of applicable income taxes.

Adjusted operating income and adjusted diluted earnings per share from continuing operations are "non-GAAP financial measures" as defined in Regulation G of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We believe these non-GAAP financial measures are relevant and useful for investors as they illustrate our actual operating performance unaffected by the impact of certain items. When reviewed in conjunction with our GAAP results and the accompanying reconciliations, we believe these non-GAAP financial measures provide additional information that is useful to gain an understanding of the factors and trends affecting our business and provide a means by which to compare our operating performance against that of other companies in the industries we compete. These non-GAAP measures should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP. These non-GAAP measures exclude items of an unusual nature including but not limited to certain income tax benefits, business divestitures, legal settlements, workforce actions, subsidies and costs, restructuring costs, facility consolidation and repositioning costs, impairment charges, investigation and remediation compliance costs and significant customer events such as early terminations, contract restructurings, forward loss provisions and credit charges. Pursuant to the requirements of Regulation G of the Exchange Act, we are providing the tables on the left that reconcile the above mentioned non-GAAP financial measures to the most directly comparable GAAP financial measures.

Strong partnerships

AAR's reputation as a known and trusted partner in the commercial aviation aftermarket is built on our adaptability.

We are honored to be listed as a top 100 Aerospace and Defense company by PwC and we took the initiative during FY21 to prioritize our strong partnerships and continued to deliver innovative solutions to OEM and airline customers.

AAR is excited to commence a multi-year agreement with United Airlines to perform airframe maintenance on their narrow-body fleet at our Rockford MRO facility. This agreement expands our valued partnership with United and supports the continued growth of the facility and the local workforce — we expect to add up to 250 aviation maintenance jobs in Rockford in the coming years.

As the B737 MAX returns to service, AAR signed a ten-year agreement with Honeywell to be the sole channel partner for the B737 MAX electronic bleed air system (EBAS). We provide the inspection, repair and overhaul of 15 EBAS components, supporting worldwide MAX operators from our Component Repair facilities in Amsterdam and New York.

In the digital realm, we extended our agreement with Viasat, a global communications company, to provide logistics, repair and aftermarket management services for Viasat's in-flight connectivity products. This program supports Viasat's airline customers to maximize component availability and deliver advanced connectivity services to more airlines and passengers around the world. By leveraging AAR's comprehensive logistics and repair management infrastructure, the AAR-Viasat partnership drives the future of connectivity in the air.

As one of the largest parts and engine trading operations in the world, we have focused on expanding material supply for our customers. Notably, the growth of our partnership with Unison Industries underscores our aptitude for adding value to the aftermarket OEM supply chain.

In FY21, we also partnered with Fortress Transportation and Infrastructure Investors to create Serviceable Engine Products, an exclusive seven-year CFM56 used serviceable material (USM) partnership. Together, we will build USM inventory for the global aviation aftermarket. Leveraging our extensive USM capabilities gives way to an expansive CFM56 serviceable engine material pool. This partnership positions AAR to service the growing demand for USM on a leading engine platform as customers increasingly prioritize more cost-efficient solutions.



3m+ commercial parts

600+ aircraft maintained, repaired and overhauled

24 OEMs supported

21m+ airframe and engine parts shipped



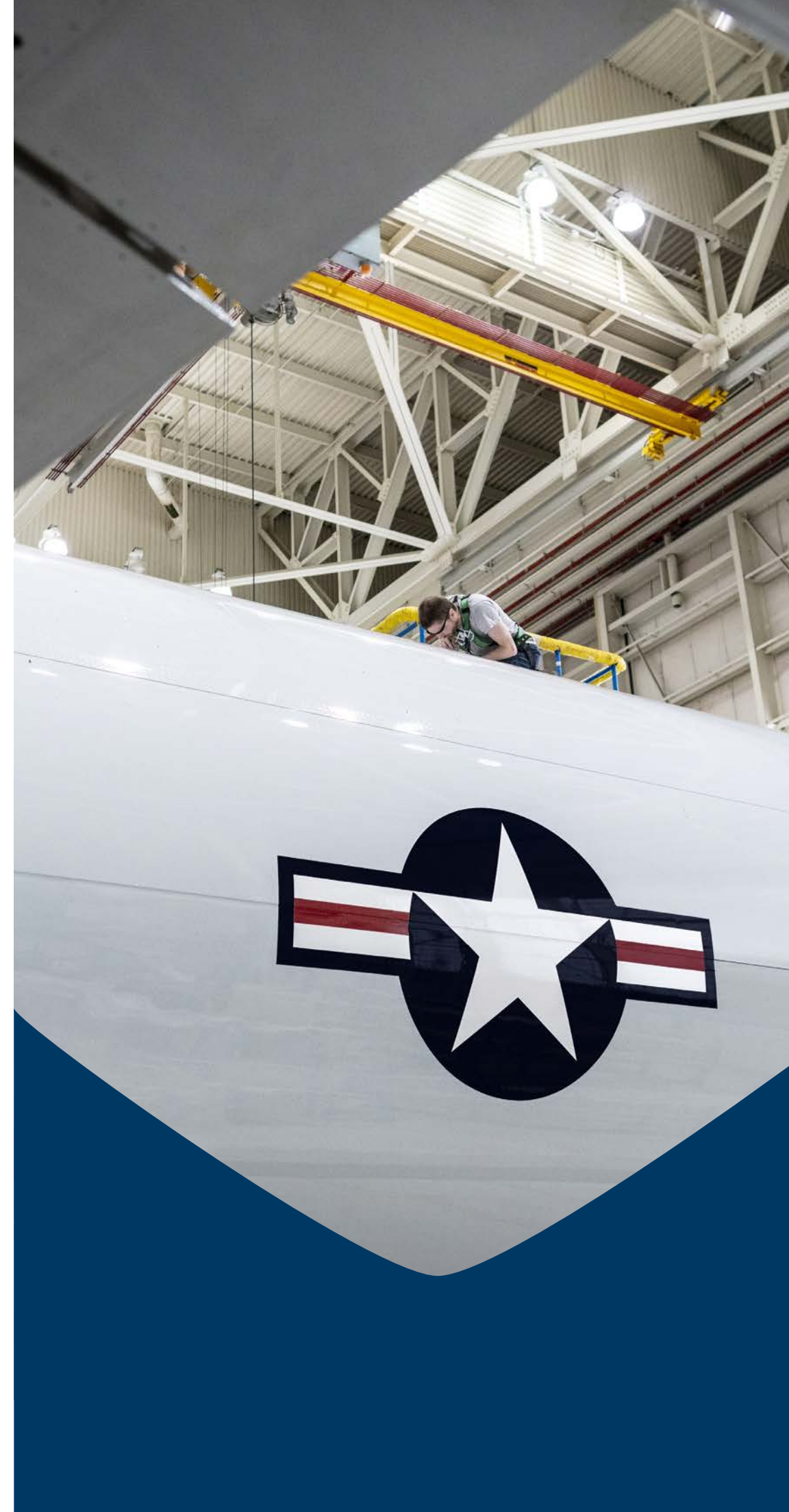
Strong performance

The application of commercial best practices continues to guide our tailored government solutions, yielding an efficient and effective offering based on our customers' unique needs.

This makes AAR a trusted, reliable partner in the government market. Furthermore, in FY21, Bloomberg named AAR one of the top 200 federal contractors in the U.S.

In FY21, the Naval Air Systems Command (NAVAIR) awarded AAR an expanded follow-on CLS contract for the U.S. Navy C-40A Clipper fleet. We are the first incumbent to win a follow-on contract for this program, demonstrating the value we bring to the U.S. Navy. Locations across AAR's MRO network support the C-40A Clipper aircraft, and our focus on enabling the NAVAIR mission delivers some of the highest aircraft availability rates in the U.S. Navy. AAR also secured a contract with the Royal Netherlands Air Force to perform MRO services on F-16 Eagle jet fuel starters at our Component Repair facility in Amsterdam, where AAR has supported European Participating Air Forces for over 30 years. Additionally, AAR's OEM Solutions team increased parts sales to the Defense Logistics Agency and global governments, and we were awarded a third option year on our U.S. Navy P-8A Poseidon contract.

As the prime contractor on the Worldwide Aviation Support Program (WASS), AAR continues to support DoS operations at seven locations around the world. Over the past four years, AAR has provided uninterrupted support for the U.S. Air Force Landing Gear Performance Based Logistics (LGPBL) program for the KC-135, C-130 and E-3 fleets, improving the availability of landing gear for our Air Force customer. Our adaptable structure meets changing mission requirements and delivers services on time. AAR Component Services continues to win contracts to support CH-47 Chinook helicopter component repairs for the U.S. Army, and F-16 Eagle jet fuel starter and accessory drive gearbox repairs for the U.S. Air Force. Mobility Systems, AAR's manufacturing wing, continues to provide rapid mission-tailored deployment equipment and sustainment services to government and nonprofit customers, including the Defense Logistics Agency and the Army Contracting Command.



50+ OEM partners for government

230k parts shipped for the U.S. Defense Logistics Agency

\$4b in government assets managed

90 ISU® versions that incorporate over 1,000 integrated kits since 1990

Strong footprint

AAR provides customized services for enhanced tip-to-tail solutions to commercial and government customers in over 100 countries. This global footprint rests in our commitment to safety. In FY21, AAR was recognized as the first independent MRO provider to implement a Safety Management System (SMS) under the requirements outlined in the SMS Voluntary Program by the Federal Aviation Administration (FAA), the European Union Aviation Safety Agency (EASA), Transport

Canada Civil Aviation (TCCA) and the International Air Transport Association (IATA). Backed by our proprietary quality and safety management system, APRiSe®, our SMS underpins our commitment to protecting our customers and the flying public worldwide.

NATO Support and Procurement Agency (NSPA) and the International Aerospace Management Company (IAMCO),

organizations that manage NATO maintenance work, named AAR an “Outstanding Source of Repair” and ranked AAR first among all Component Source of Repair (SOR) facilities, the fourth time we have received this recognition since 2005. Furthermore, our Component Repair facility in Amsterdam was acknowledged for superior product quality, timely delivery, quality assurance services and component support for the NATO E-3A Airborne Warning and Control System (AWACS) fleet.

Our UK-based subsidiary Airinmar®, the leading independent component repair cycle management and aircraft warranty solution provider, signed new support services agreements with four customers: Frontier Airlines, the largest A320neo operator in the U.S.; domestic Mexican airline Volaris; European carrier Wizz Air; and Air Methods, the largest civilian helicopter operator in the world. These agreements offer tailored cost control services that help our customers meet their operational goals.



- Corporate
- MRO Services
- Parts Supply
- Integrated Solutions – Commercial
- Integrated Solutions – Government
- Manufacturing

North America	Central and South America	Europe	UK	Middle East	China	Singapore	Australasia
HQ & warehouse near O'Hare International Airport; MRO Services network with component repair; manufacturing services and Integrated Solutions – Government supporting WASS	Sales office supporting customers in Latin America and Integrated Solutions – Government supporting WASS	Component Repair in Amsterdam; warehouse network includes Brussels & Hannover serving EMEA & supported by sales offices	Integrated Solutions – Commercial and Parts Supply team in Gatwick; Airinmar® component repair management services; Integrated Solutions – Government in Waddington and Parts Supply sales office in Heathrow	Warehouse and sales support in Dubai for EMEA; Integrated Solutions – Government supporting WASS	Warehouse and sales support in Shanghai Japan Regional sales support office	Regional sales office based in Singapore; warehouse and engineering services for interior modifications for Asian airlines	Warehouse support in Auckland and sales support based in Melbourne

Strong services

Aviation



Parts Supply

- Serviceable & OEM factory-new parts
- Airframe and engine parts sale, exchange, loan and lease
- Engine parts sale, exchange and loan
- Engine solutions, management, sales, leasing and exchange
- Aircraft sales and leasing
- OEM Solutions
- Online PAARTSSM Store
- 24/7 worldwide AOG service



MRO Services

- Airframe
- Landing Gear
- Component Repair
- Wheels and Brakes
- Engineering Services



Integrated Solutions

- Total fleet services
- Flight-hour support
- Contractor Logistics Support (CLS)
- Performance-Based Logistics (PBL)
- Third-Party Logistics (3PL)
- Consumables and Expendables aggregator

Expeditionary



Mobility

- Air cargo containers (ISU®) and pallets
- Rapid deployable mobility tactical shelters
- SPACEMAX® shelters
- Integrated Command Control (C4) centers

Strong focus



As a startup back in 1955, we were supplying parts to the aviation industry, efficiently moving inventory and setting in motion our participation in America's great technology boom. Today, as we continue to expand, our strong values, purpose-driven model and a culture of integrity provide safe, efficient and sustainable solutions for the aviation industry.

Setting high standards

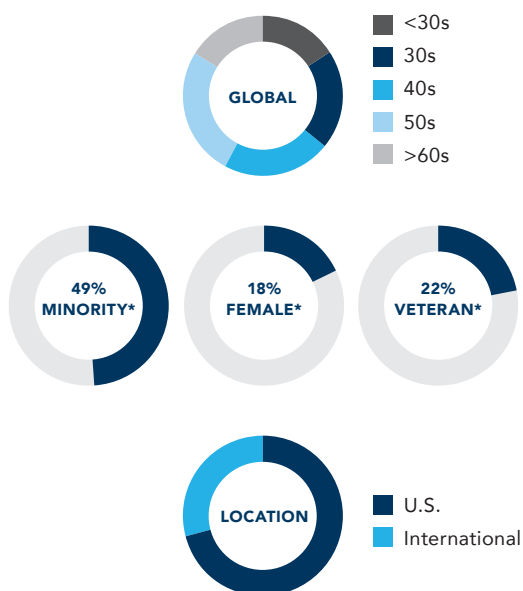
By putting quality and safety at the forefront of everything we do, we not only comply with industry standards, but set even higher expectations. This level of commitment requires the dedication of our entire team. We provide training, share best practices and promote a culture in which collaboration is key to identifying, reporting and eliminating any hazard or incident.

We are proud that AAR was recognized in 2021 as the first independent third-party MRO for implementing a safety management system in accordance with requirements set forth in the SMS Voluntary Program by the Federal Aviation Administration (FAA), the European Union Aviation Safety Agency (EASA), Transport Canada Civil Aviation (TCCA) and the International Air Transport Association (IATA).

Clockwise from top left: LitterBlitz program, Oklahoma City; Music concert in our MRO hangar for essential health workers in Trois Rivières, Canada; Our first all-female cohort of AMTs at our Miami, MRO service facility

Empowering people

We continually invest in making AAR a great place to work, and we are committed to creating an enriching environment for our approximately 5,000 employees. As our values reflect, we prioritize embracing diversity and fostering a culture of inclusion.



*U.S. only

Governing with integrity

We believe that our Doing It Right® culture is based in a foundation of strong corporate governance and values that emphasize not only ethics and compliance, but integrity. We strive to establish, implement and maintain an effective governance structure that is agile and responsive to business needs and evolving best practices, and that sets high ethical standards. Our Code of Conduct promotes these standards and guides our business practices and procedures. We require all new hires to complete the Code of Conduct training, and training is also an annual requirement for all employees.

Protecting the planet

AAR is gathering baseline data to assess company-wide environmental impacts. In recent years at our facilities, we have focused on using energy more efficiently and are working to convert to LED lighting. We also continue to identify and evaluate opportunities to create a cleaner, safer workplace, and to adopt sustainable practices to reduce our environmental impact. Recent actions include:

ELECTRICITY	WATER	WASTE	AIR
<p>Amsterdam, Netherlands Decreased electricity usage by 40,000 kilowatt hours in 2017 and 2018. Installed automatic switch-off lighting in several areas.</p> <p>Cadillac, Michigan Installed LED lighting in several areas.</p> <p>Garden City, New York Installed LED lighting throughout the facility in the past five years.</p> <p>Miami, Florida Installed LED lighting in several areas.</p> <p>Oklahoma City, Oklahoma Installed LED lighting in several areas.</p> <p>Wood Dale, Illinois In process of upgrading to LED lighting in our 100,000 square feet office space where possible.</p>	<p>Cadillac, Michigan Installed a chiller at one of its facilities that recirculates chilled water to cool presses as opposed to using city water from a well field that was released to the sewer, resulting in savings in water and sewer usage.</p> <p>Miami, Florida Aircrafts are washed with recycled water. Wastewater from our aircraft wash is treated to reduce metals before discharge to the sanitary sewer.</p>	<p>Garden City, New York Installed new plastic media blast cabinet with an advanced filter recovery system that allows 99% recycling of media and minimizes waste.</p> <p>Oklahoma City, Oklahoma Continued focus on reduction of classified waste. Dispose of waste oils and off-spec fuels from the aircraft with waste disposal services that recycle.</p> <p>Trois-Rivières, Quebec, Canada Recycles battery and fluorescent tubes via a governmental program and disposes of used and expired hazardous products (e.g., Alodine, alumiprep, paint, oil) through a recycling supplier.</p> <p>Windsor, Ontario, Canada Partnered with Safety Kleen to remove all waste chemicals safely.</p>	<p>Rockford, Illinois Installed five ION generators in two HVAC units to provide ionized air to the main and support office area, and to airplanes when under maintenance.</p>

Detailed information can be found in our 2021 ESG report <https://www.aarcorp.com/about/environmental-social-governance-esg/>.

AAR leadership

Corporate Officers

John M. Holmes
President and Chief Executive Officer

John B. Cooper
Vice President, Global Government and Defense; Lt. General, U.S. Air Force (Ret.)

Sarah L. Flanagan
Vice President, Financial Operations

Jessica A. Garascia
Vice President, General Counsel, Chief Compliance Officer and Secretary

Sean M. Gillen
Vice President and Chief Financial Officer

Nicholas P. Gross
Vice President, Integrated Solutions

Christopher A. Jessup
Vice President, Chief Commercial Officer

Salvatore J. Marino
Vice President, Parts Supply Group

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

Brian E. Sartain
Vice President, Repair and Engineering

Dylan Z. Wolin
Vice President, Strategic & Corporate Development and Treasurer

Eric J. Young
Vice President, OEM Solutions

Board of Directors

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

Anthony K. Anderson^{2,4}
Former Vice Chairman and Managing Partner of Midwest Area at Ernst & Young LLP

Michael R. Boyce^{2,4}
Chairman and Managing Director, Peak Investments, LLC

H. John Gilbertson, Jr.^{1,2} - Chairman
Former Managing Director, Goldman Sachs

James E. Goodwin^{1,3,4} - Chairman,⁶
Former Chairman and Chief Executive Officer, UAL, Inc. and United Airlines, Inc.

John M. Holmes³
President and Chief Executive Officer, AAR CORP.

Robert F. Leduc^{1,2,5}
Former President, Pratt & Whitney

Ellen M. Lord
Former Under Secretary of Defense for Acquisition and Sustainment; Former President & CEO of Textron Systems

Duncan J. McNabb^{1,4,5} - Chairman
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.); Former Chairman of the Joint Chiefs of Staff

Jennifer L. Vogel^{2,3,4,5}
Former Senior Vice President, General Counsel, Secretary and Chief Compliance Officer, Continental Airlines

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

- ¹ Member of Audit Committee
- ² Member of Compensation Committee
- ³ Member of Executive Committee
- ⁴ Member of Nominating and Governance Committee
- ⁵ Member Aviation Training and Safety Committee
- ⁶ Lead Director

AAR awards reflect our strength



Stockholder information

Corporate headquarters
AAR CORP.
1100 N. Wood Dale Rd.
Wood Dale, IL 60191
T: +1 630.227.2000
F: +1 630.227.2058
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 a.m. (Chicago time) on Tuesday, September 28, 2021.

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.

Forward-looking statements
This Annual Report contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 related to management's expectations about future conditions. Actual business, market or other conditions may differ materially from management's expectations and, accordingly, may affect our sales and profitability or other results and liquidity. Any forward-looking statements represent our views only as of today and should not be relied upon as representing our views as of any subsequent date and we undertake no obligation to update any forward-looking statement. Actual results may differ materially due to various other factors, including those found in the "Risk Factors" section in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission.



Americas

AAR World Headquarters
1100 N. Wood Dale Rd.
Wood Dale, IL 60191 USA
T: +1.630.227.2000
F: +1.630.227.2039

Europe

3rd Floor Eastside
World Business Centre 1
1206 Newall Road
Heathrow Airport, Middlesex
London, UK TW6 2RE
T: +44.208.990.6700

Asia Pacific & India

7 Changi Business Park Vista #03-01
Soo Kee Building
Singapore 486042
T: +65.6508.6460

AOG 24/7 worldwide

T: +1.630.227.2470
AOG@aarcorp.com

PAARTSSM Store shop.aarcorp.com