

## **FAVS ANNOUNCES IMPROVED Q3 OPERATING RESULTS**

WESTPORT, CONNECTICUT, December 6, 2007 – First Aviation Services Inc. (FAVS.PK), a leading provider of supply chain services to the aerospace industry worldwide, released its third quarter financial results for the three months ended October 31, 2007.

The company reported sales and a net loss for the third quarter of \$30.9M and (\$990k) compared with \$32.4M and (\$4.2M) for the same period of the prior year. There are a number of one time charges in the quarter including a foreign exchange gain of \$309k, a positive freight adjustment of \$150k, an A/R reserve of \$323k, the disposition of excess or obsolete inventory in excess of reserves of \$225k, and \$185k of other charges.

Net debt was reduced in the quarter to \$23.8M and the company entered into a new \$32M credit facility.

Mr. Aaron Hollander, Chairman and CEO of First Aviation, said: “We are continuing to make strong progress. The company continues to experience positive results from its cost containment programs as SG&A expense was reduced compared to the same quarter of the prior year and the quarterly loss from operations of \$408 thousand in the current year quarter was significantly lower than the \$4.8 million loss in the prior year period. In addition, the company was able to reduce amounts owed to suppliers by \$5.5 million and generate positive cash flow from operations of \$2.8 million for the quarter. The entire management team is focused on profitability and continued balance sheet improvement.”

*First Aviation, located in Westport, Connecticut and its principal operating subsidiary, Aerospace Products International, Inc. (“API”), headquartered in Memphis, Tennessee, is a leading provider of services to the aviation industry worldwide. The services the Company provides the aviation industry include the sale of aircraft parts and components, the provision of supply chain management services, overhaul and repair services for wheels, brakes and starter/generators, and the assembly of custom hoses. With locations in the U.S., Canada, Asia Pacific and China, plus partners throughout the world, API continues to be a leading provider of aviation products, supply chain management services and technology solutions in the industry.*

*More information about First Aviation can be found on the World Wide Web at <http://www.favs.com> and <http://www.apiworldwide.com>.*

## Forward-Looking Statements

*Certain statements discussed in this release constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical facts, but rather reflect the Company's current expectations concerning future events and results. Such forward-looking statements, including those concerning the Company's expectations, involve known and unknown risks, uncertainties and other factors, some of which are beyond the Company's control, that may cause the Company's actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, the Company's ability to obtain parts and components from its principal suppliers on a timely basis, depressed domestic and international market and economic conditions, especially those currently facing the aviation industry as a whole, including terrorism and terrorism related impacts, the impact of changes in fuel and other freight related costs, major adverse weather related effects such as hurricanes impacting our customer base, relationships with its customers, the ability of the Company's customers to meet their financial obligations to the Company, the ability to obtain and service supply chain management contracts, changes in regulations or accounting standards, the ability to consummate suitable acquisitions and expand, the loss of the use of facilities and distribution hub in Mississippi, significant failure of our computer systems, telephone systems or networks, and other items that are beyond the Company's control and may cause actual results to differ from management's expectations.*

***See financial statements below***

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## FINANCIAL INFORMATION

### First Aviation Services Inc.

Consolidated Condensed Balance Sheets (Unaudited)  
(in thousands, except share amounts)

	<u>October 31,</u> <u>2007</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 1,954
Trade receivables, net of allowance for doubtful accounts of \$1,711	16,344
Inventory, net of allowance for obsolete and slow moving inventory of \$5,142	29,390
Prepaid expenses and other	<u>1,279</u>
Total current assets	48,967
Plant and equipment, net	<u>4,360</u>
Total Assets	<u><u>\$ 53,327</u></u>
<b>Liabilities and stockholders' equity</b>	
Current liabilities:	
Accounts payable	\$ 4,495
Accrued compensation and other liabilities	2,069
Revolving line of credit	22,726
Other short-term debt	3,000
Notes payable	<u>85</u>
Total current liabilities	32,375
Long-term liabilities, less current portion	<u>1,162</u>
Total liabilities	33,537
Stockholders' equity:	
Common stock, \$0.01 par value, 25,000,000 shares authorized, 9,135,699 shares issued	91
Additional paid-in capital	38,747
Accumulated deficit	(10,869)
Accumulated other comprehensive income	<u>857</u>
	28,826
Less: Treasury stock, at cost, 1,728,087	<u>(9,036)</u>
Total stockholders' equity	<u>19,790</u>
Total liabilities and stockholders' equity	<u><u>\$ 53,327</u></u>

## First Aviation Services Inc.

Consolidated Condensed Statements of Operations (Unaudited)  
(in thousands, except share amounts)

	<b>Three months ended October 31, 2007</b>
Net sales	\$ 30,876
Cost of sales	<u>26,351</u>
Gross profit	4,525
Selling, general and administrative expenses	<u>4,933</u>
Loss before corporate expenses	(408)
Corporate expenses	<u>314</u>
Loss from operations	(722)
Net interest income (expense) and other	(559)
Foreign currency transaction gain	<u>309</u>
Loss before income taxes	(972)
Provision for income taxes	<u>(18)</u>
Net loss	<u><u>\$ (990)</u></u>
 <i>Basic net loss per share, and net loss per share - assuming dilution:</i>	
Basic net loss per share	<u><u>\$ (0.13)</u></u>
Net loss per share - assuming dilution	<u><u>\$ (0.13)</u></u>
Weighted average shares outstanding - basic	<u><u>7,396,110</u></u>
Weighted average shares outstanding - assuming dilution	<u><u>7,396,110</u></u>

## First Aviation Services Inc.

Consolidated Condensed Statements of Cash Flows (Unaudited)  
(in thousands)

	<b>Three months ended October 31, 2007</b>
<b>Cash flows from operating activities</b>	
Net loss	\$ (990)
Adjustments to reconcile net loss to net cash used in operating activities - non-cash expense (income):	
Depreciation and amortization	419
Equity based compensation	14
(Increase) decrease in working capital assets:	
Trade receivables	4,959
Inventory	4,649
Prepaid expenses and other	85
Increase (decrease) in working capital liabilities:	
Accounts payable	(5,504)
Accrued compensation and related expenses, and other accrued liabilities	(834)
Net cash used in operating activities	2,798
<b>Cash flows from investing activities</b>	
Purchases of plant and equipment	(121)
Net cash used in investing activities	(121)
<b>Cash flows from financing activities</b>	
Borrowings on revolving line of credit	-
Repayments on revolving line of credit	(2,190)
Borrowings on other short-term debt	-
Repayments on notes payable	(185)
Net cash provided by (used in) financing activities	(2,375)
Net increase in cash and cash equivalents	302
Effect of exchange rate changes on cash and cash equivalents	235
Cash and cash equivalents at beginning of period	1,417
Cash and cash equivalents at end of period	\$ 1,954