

## **FAVS ANNOUNCES IMPROVED SECOND QUARTER RESULTS**

WESTPORT, CONNECTICUT, September 2, 2008 – First Aviation Services Inc. (FAVS.PK) today announced net earnings of \$15,000 for the three months ended July 31, 2008 versus a net loss of (\$815,000) in the three months ended July 31, 2007. Earnings before interest, taxes, depreciation and amortization (EBITDA) in the current year quarter was \$754,000 compared to \$153,000 in the quarter ended July 31, 2007 while EBITDA for the six months ended July 31, 2008 was \$1,186,000 versus (\$798,000) for the prior year. For the six months ended July 31, 2008, earnings from operations improved to \$368,000 versus a negative (\$1,723,000) after adjusting for the effect of the one-time repurchase of \$2.0 million of previously classified slow moving and obsolete inventory by a major aircraft original equipment manufacturer in the prior year six month period.

Gross Margin pre-freight, as a percentage of sales, continued its improvement to 19.7% in the current year quarter versus 17.6% in the prior year period and 19.1% versus 16.8% (ex the repurchase) in the prior year six month period. SG&A and corporate expenses were reduced by 2.3% and 39.5%, respectively, in the current year quarter and 5.7% versus 34.3% in the six months ended July 31, 2008 and 2007, respectively. Interest expense was approximately 32% lower in the current six month period compared to the prior year period, and net freight expense was 1.5% of revenue in the six months ended July 31, 2008 versus 2.0% in the 2007 period.

Mr. Aaron Hollander, Chairman and CEO of First Aviation, said: “The operational and financial initiatives we have instituted have resulted in the improved financial performance exhibited in the just completed second quarter. The positive results were achieved despite a difficult economic environment and record high fuel costs. We continue to stay focused on cost containment, customer service enhancement and the expansion of our supply chain management business.”

The results of operations for the six months ended July 31, 2007 have been restated from the results reported in the prior year period. The effect of the restatement is more fully described in a note to the consolidated statements of operations.

*First Aviation and its principal operating subsidiary Aerospace Products International, Inc. (“API”), based in Memphis, Tennessee, is a leading provider of services to the aviation industry worldwide. With locations in the U.S., Canada, Asia Pacific, and China plus partners throughout the world, services to the aviation industry include the sale of aircraft parts and components, the provision of supply chain management services, and overhaul and repair services.*

*More information about First Aviation can be found on the Company’s and API’s websites, which are located at <http://www.favs.com> and <http://www.apeworldwide.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 our current expectations concerning future events and results. Such forward-looking statements, including those concerning our expectations, involve known and unknown risks, uncertainties and other factors, some of which are beyond the Company's control, that may cause our 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, among others: our ability to obtain parts and components from 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 customers, the ability of our customers to meet their financial obligations to us, our 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 Southaven, Mississippi, significant failure of our computer systems, telephone systems or networks, and other items that are beyond our control and may cause actual results to differ from management's expectations. The Company undertakes no obligation to update any forward-looking statements or cautionary factors except as required by law.

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**First Aviation Services Inc.**  
Consolidated Condensed Statements of Operations  
(in thousands, except share and per share amounts)

	<b>Three months ended</b>	
	<b>July 31,</b>	
	<b>2008</b>	<b>2007</b>
	<b>(unaudited)</b>	<b>(as restated) (1)</b>
Net sales	\$ 29,923	\$ 32,167
Cost of sales	<u>24,575</u>	<u>27,259</u>
Gross profit	5,348	4,908
Selling, general and administrative expenses	4,607	4,716
Corporate expenses	<u>393</u>	<u>648</u>
Income (loss) from operations	348	(456)
Net interest income (expense)	(329)	(514)
Foreign currency transaction gain	<u>-</u>	<u>192</u>
Earnings (loss) before income taxes	19	(778)
Provision for income taxes	<u>(4)</u>	<u>(37)</u>
Net earnings (loss)	<u>\$ 15</u>	<u>\$ (815)</u>
(EBIDTA) Earnings before taxes depreciation and amortization	<u>\$ 754</u>	<u>\$ 153</u>
<i>Basic net earnings (loss) per share, and net earnings (loss) per share - assuming dilution:</i>		
Basic net earnings (loss) per share	<u>\$ 0.00</u>	<u>\$ (0.11)</u>
Net earnings (loss) per share - assuming dilution	<u>\$ 0.00</u>	<u>\$ (0.11)</u>
Weighted average shares outstanding - basic	<u>7,457,546</u>	<u>7,373,613</u>
Weighted average shares outstanding - assuming dilution	<u>7,457,546</u>	<u>7,373,613</u>

(1) The results of operations for the quarter ended July 31, 2007 have been restated from the results in the prior year period in the amount of \$101,000 in SG&A costs and \$20,000 in non-cash cost of goods sold related to the prior year quarter.

**First Aviation Services Inc.**  
Consolidated Condensed Statements of Operations  
(in thousands, except share and per share amounts)

	<b>Six months ended</b>		
	<b>2008</b>	<b>July 31,</b>	<b>2007</b>
	<b>(unaudited)</b>	(as restated) (1) (Ex Raytheon) (2)	(as restated) (1)
Net sales	\$ 59,422	\$ 62,830	\$ 64,844
Cost of sales	<u>49,168</u>	<u>53,715</u>	<u>54,496</u>
Gross profit	<b>10,254</b>	9,115	10,348
Selling, general and administrative expenses	<b>9,126</b>	9,681	9,681
Corporate expenses	<u>760</u>	<u>1,157</u>	<u>1,157</u>
Income (loss) from operations	<b>368</b>	(1,723)	(490)
Net interest income (expense)	<b>(638)</b>	(946)	(946)
Foreign currency transaction gain	<u>-</u>	<u>396</u>	<u>396</u>
Loss before income taxes	<b>(270)</b>	(2,273)	(1,040)
Provision for income taxes	<u>(8)</u>	<u>(57)</u>	<u>(57)</u>
Net loss	<u><b>\$ (278)</b></u>	<u><b>\$ (2,330)</b></u>	<u><b>\$ (1,097)</b></u>
 (EBIDTA) Earnings before taxes depreciation and amortization	 <u><b>\$ 1,186</b></u>	 <u><b>\$ (798)</b></u>	 <u><b>\$ 743</b></u>
 <i>Basic net loss per share, and net loss per share - assuming dilution:</i>			
Basic net loss per share	<u><b>\$ (0.04)</b></u>	<u><b>\$ (0.32)</b></u>	<u><b>\$ (0.15)</b></u>
Net loss per share - assuming dilution	<u><b>\$ (0.04)</b></u>	<u><b>\$ (0.32)</b></u>	<u><b>\$ (0.15)</b></u>
Weighted average shares outstanding - basic	<u>7,433,370</u>	<u>7,373,642</u>	<u>7,373,642</u>
Weighted average shares outstanding - assuming dilution	<u>7,433,370</u>	<u>7,373,642</u>	<u>7,373,642</u>

(1) The results of operations for the six months ended July 31, 2007 have been restated from the results reported in the prior year period in the amount of \$523,000 in non-cash income resulting from the correction of the foreign exchange revaluation calculation on the Canadian dollar denominated balance sheet, (\$392,000) in non-cash cost of goods sold (COGS) expense related to the correction of intercompany service billings, (\$155,000) in COGS costs for a reduction in customer service billings, \$101,000 in additional SG&A expenses and \$144,000 in income for China operations start-up costs previously reported in the quarter ended April 30, 2007 and incurred in the prior fiscal year ended January 31, 2007.

(2) Excluding the effect of the \$2.0 million Raytheon repurchase and resulting \$1.2 million gain recognized in the six months ended July 31, 2007.

**First Aviation Services Inc.**  
Consolidated Condensed Balance Sheets  
(in thousands, except share and per share amounts)

	<b>July 31, 2008</b>	<b>January 31, 2008</b>
	<b>(unaudited)</b>	<b>(Audited)</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 633	\$ 750
Trade receivables, net of allowance for doubtful accounts of \$918 and \$1,847, respectively	14,762	17,096
Inventory, net of allowance for obsolete and slow moving inventory of \$4,601 and \$5,426, respectively	33,971	30,751
Prepaid expenses and other	<u>1,227</u>	<u>1,415</u>
Total current assets	50,593	50,012
Plant and equipment, net	<u>3,671</u>	<u>4,064</u>
Total Assets	<u>\$ 54,264</u>	<u>\$ 54,076</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 10,243	\$ 10,654
Accrued compensation and related expenses	247	762
Other accrued liabilities	1,377	1,480
Revolving line of credit	21,972	20,374
Notes payable	<u>612</u>	<u>598</u>
Total current liabilities	34,451	33,868
Related Party - JEM III LLC	2,000	2,000
Notes payable, less current portion	<u>255</u>	<u>445</u>
Total liabilities	36,706	36,313
Stockholders' equity:		
Common stock, \$0.01 par value, 10,000,000 shares authorized, 9,135,699 shares issued	91	91
Additional paid-in capital	38,879	38,782
Accumulated deficit	(13,038)	(12,931)
Accumulated other comprehensive income	<u>710</u>	<u>835</u>
	26,642	26,777
Less: Treasury stock, at cost, 1,671,036 and 1,713,774 shares, respectively	<u>(9,084)</u>	<u>(9,014)</u>
Total stockholders' equity	<u>17,558</u>	<u>17,763</u>
Total liabilities and stockholders' equity	<u>\$ 54,264</u>	<u>\$ 54,076</u>

**First Aviation Services Inc.**  
Consolidated Condensed Statements of Cash Flows (Unaudited)  
(in thousands)

	<b>Six months ended July 31,</b>	
	<u><b>2008</b></u> <b>(unaudited)</b>	<u>2007</u> <b>(as restated)</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (278)	\$ (1,097)
Adjustments to reconcile net loss to net cash used in operating activities - non-cash expense (income):		
Depreciation and amortization	833	837
Equity based compensation	28	47
(Increase) decrease in working capital assets:		
Trade receivables	2,334	(300)
Inventory	(3,220)	(1,293)
Prepaid expenses and other	188	115
Increase (decrease) in working capital liabilities:		
Accounts payable	(241)	(3,471)
Accrued compensation and related expenses, and other accrued liabilities	<u>(618)</u>	<u>(685)</u>
Net cash used in operating activities	<b>(974)</b>	<b>(5,847)</b>
<b>Cash flows from investing activities</b>		
Purchases of plant and equipment	<u>(440)</u>	<u>(400)</u>
Net cash used in investing activities	<b>(440)</b>	<b>(400)</b>
<b>Cash flows from financing activities</b>		
Borrowings (repayments), net on revolving line of credit	1,598	2,816
Borrowings on related party note	-	3,000
Repayments on notes payable	<u>(176)</u>	<u>(70)</u>
Net cash provided by (used in) financing activities	<u><b>1,422</b></u>	<u>5,746</u>
Effect of exchange rate changes on cash and cash equivalents	<b>(125)</b>	173
Net decrease in cash and cash equivalents	<b>(117)</b>	<b>(328)</b>
Cash and cash equivalents at beginning of period	<u><b>750</b></u>	<u>1,745</u>
Cash and cash equivalents at end of period	<u><b>\$ 633</b></u>	<u>\$ 1,417</u>