

## **FAVS ANNOUNCES STRONG FIRST QUARTER RESULTS**

WESTPORT, CONNECTICUT, June 9, 2008 – First Aviation Services Inc. (FAVS.PK) today announced strong financial performance for the three months ended April 30, 2008 versus the three months ended April 30, 2007 on a comparable basis. Earnings before interest, taxes, depreciation and amortization (EBITDA) in the current year quarter was \$445,000 compared to a negative (\$798,000) in the quarter ended April 30, 2007, after adjusting for the effect of the one-time repurchase of \$1.6 million of previously classified slow moving and obsolete inventory by Hawker Beechcraft (formerly Raytheon Corporation) in the prior year quarter. Earnings from operations on an adjusted basis was a positive \$20,000 versus a negative (\$1,218,000) year over year, and net loss of (\$292,000) compared favorably with the (\$1,466,000) loss adjusted for the Raytheon repurchase, in the prior year period.

Gross Margin pre-freight, as a percentage of sales improved significantly to 18.3% in the current year quarter versus 15.9% in the prior year period on an adjusted basis. SG&A and corporate expenses were reduced by 9.0% and 27.9%, respectively in the current year quarter. Interest expense was approximately 29% lower, and net freight expense was 1.5% in the quarter ended April 30, 2008 versus 2.0% in the 2007 period. Cash flow from operations improved to a positive \$145,000 versus a negative (\$2,682,000) in the comparable prior year period.

Mr. Aaron Hollander, Chairman and CEO of First Aviation, said: “We continue to make strong progress financially and operationally. The Company is experiencing positive results from the cost containment program and service enhancement initiatives which have had a major impact on profitability. Improvements in overhead expense and the freight initiative have resulted in significant savings in shipping costs. In addition, the Company is continuing to focus on expanding the supply chain management side of the business and has been successful in winning competitions for a number of important contracts.”

The results of operations for the quarter ended April 30, 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.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 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 the 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>April 30,</b>		
	<u>2008</u>	<u>2007</u>	<u>2007</u>
	<b>(unaudited)</b>	(as restated) (1) (Ex Raytheon) (2)	(as restated) (1)
Net sales	<b>\$ 29,499</b>	\$ 30,911	\$ 32,676
Cost of sales	<b>24,593</b>	26,655	27,236
Gross profit	<b>4,906</b>	4,256	5,440
Selling, general and administrative expenses	<b>4,519</b>	4,965	4,965
Corporate expenses	<b>367</b>	509	509
Income from operations	<b>20</b>	(1,218)	(34)
Net interest income (expense)	<b>(307)</b>	(432)	(432)
Foreign currency transaction gain (loss)	<b>(1)</b>	204	204
Loss before income taxes	<b>(288)</b>	(1,446)	(262)
Provision for income taxes	<b>(4)</b>	(20)	(20)
Net loss	<b>\$ (292)</b>	\$ (1,466)	\$ (282)
 (EBIDTA) Earnings before taxes depreciation and amortization	 <b>\$ 445</b>	 \$ (798)	 \$ 386
 <i>Basic net loss per share, and net loss per share - assuming dilution:</i>			
Basic net loss per share	 \$ (0.04)	 \$ (0.20)	 \$ (0.04)
Net loss per share - assuming dilution	 \$ (0.04)	 \$ (0.20)	 \$ (0.04)
Weighted average shares outstanding - basic	 7,423,220	 7,353,250	 7,353,250
Weighted average shares outstanding - assuming dilution	 7,423,220	 7,353,250	 7,353,250

(1) The results of operations for the quarter ended April 30, 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, (\$372,000) 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, 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 \$1.6 million Raytheon repurchase and resulting \$1.1 million gain recognized in the quarter ended April 30, 2007.

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

	<b>April 30, 2008</b>	<b>January 31, 2008</b>
	<u>(unaudited)</u>	<u>(Audited)</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,674	\$ 750
Trade receivables, net of allowance for doubtful accounts of \$1,156 and \$1,847, respectively	15,879	17,096
Inventory, net of allowance for obsolete and slow moving inventory of \$4,626 and \$5,426, respectively	30,560	30,751
Prepaid expenses and other	<u>1,867</u>	<u>1,415</u>
Total current assets	49,980	50,012
Plant and equipment, net	<u>3,827</u>	<u>4,064</u>
Total Assets	<u><u>\$ 53,807</u></u>	<u><u>\$ 54,076</u></u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 9,179	\$ 10,654
Accrued compensation and related expenses	986	762
Other accrued liabilities	1,781	1,480
Revolving line of credit	21,471	20,374
Notes payable	<u>85</u>	<u>598</u>
Total current liabilities	33,502	33,868
Related Party - JEM III LLC	2,000	2,000
Notes payable, less current portion	<u>872</u>	<u>445</u>
Total liabilities	36,374	36,313
Stockholders' equity:		
Common stock, \$0.01 par value, 25,000,000 shares authorized, 9,135,699 shares issued	91	91
Additional paid-in capital	38,788	38,782
Accumulated deficit	(13,114)	(12,931)
Accumulated other comprehensive income	<u>683</u>	<u>835</u>
	26,448	26,777
Less: Treasury stock, at cost, 1,696,269 and 1,713,774 shares, respectively	<u>(9,015)</u>	<u>(9,014)</u>
Total stockholders' equity	<u>17,433</u>	<u>17,763</u>
Total liabilities and stockholders' equity	<u><u>\$ 53,807</u></u>	<u><u>\$ 54,076</u></u>

# First Aviation Services Inc.

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

	<b>Three months ended</b>	
	<b>April 30,</b>	
	<u>2008</u>	<u>2007</u>
	<b>(unaudited)</b>	<b>(as restated)</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (292)	\$ (282)
Adjustments to reconcile net loss to net cash used in operating activities - non-cash expense (income):		
Depreciation and amortization	425	420
Equity based compensation	6	5
(Increase) decrease in working capital assets:		
Trade receivables	1,217	(1,532)
Inventory	191	(1,073)
Prepaid expenses and other	(452)	234
(Increase) decrease in working capital liabilities:		
Accounts payable	(1,475)	947
Accrued compensation and related expenses, and other accrued liabilities	<u>525</u>	<u>(1,401)</u>
Net cash used in operating activities	<b>145</b>	<b>(2,682)</b>
<b>Cash flows from investing activities</b>		
Purchases of plant and equipment	<u>(188)</u>	<u>(244)</u>
Net cash used in investing activities	<b>(188)</b>	<b>(244)</b>
<b>Cash flows from financing activities</b>		
Borrowings (repayments), net on revolving line of credit	1,097	1,330
Repayments on notes payable	<u>(86)</u>	<u>(33)</u>
Net cash provided by (used in) financing activities	<u>1,011</u>	<u>1,297</u>
Effect of exchange rate changes on cash and cash equivalents	(44)	33
Net decrease in cash and cash equivalents	<b>924</b>	<b>(1,596)</b>
Cash and cash equivalents at beginning of period	<u>750</u>	<u>1,745</u>
Cash and cash equivalents at end of period	<u><b>\$ 1,674</b></u>	<u><b>\$ 149</b></u>