

## **Second Quarter Sales Increase of 23% Reported by First Aviation**

WESTPORT, CT, August 10, 2010 – First Aviation Services Inc. (FAVS.PK) today announced that sales for the second quarter were \$32.4 million, an improvement over the prior year of 23.0%. Contributing to the sales growth were the two previously announced acquisitions of Aerospace Turbine Rotables, Inc. and Piedmont Propulsion Systems, LLC that closed in December 2009. Without recognizing the effect of these acquisitions, sales increased 4.8% on a year over year basis.

Net income of \$466 thousand, or \$.03 per share, compared favorably in the second quarter versus a net income of \$14 thousand in the prior year second quarter. EBITDA for the quarter was \$1,229 thousand versus \$423 thousand in the comparable period last year. For the six months ended June 30<sup>th</sup> net income was \$1.1 million vs. a loss of \$407 thousand in the similar prior year period. EBITDA for the first six months was \$2.7 million vs. \$571 thousand in the similar 2009 period.

“The second quarter results continued the improved trend despite the difficult economic environment,” said Aaron P. Hollander, Chairman and CEO of First Aviation. “Growth has been driven by the strategic acquisitions completed at the end of last year as well as internal growth primarily from the generation of new business. We continue to see weakness in the civil United States market and expect that much of our growth in the current year will be driven by international markets and sales to the U.S. Military.”

Note: In December of 2009 the Company began reporting on a calendar year basis.

(continued on next page)



**First Aviation Services Inc.**

Consolidated Condensed Statements of Operations

(Unaudited)

(in thousands, except share and per share amounts)

	Three Mos Ended June 30,		Six Mos Ended June 30,		12 Mos Ended
	2010	2009	2010	2009	Dec 31, 2009*
Net sales	\$ 32,390	\$ 26,344	\$ 63,185	\$ 52,151	\$ 108,933
Cost of sales	<u>(25,578)</u>	<u>(22,055)</u>	<u>(49,570)</u>	<u>(43,503)</u>	<u>(90,004)</u>
Gross profit	6,812	4,289	13,615	8,648	18,929
Selling, general and administrative expenses	(5,365)	(3,840)	(10,566)	(7,892)	(15,513)
Corporate expenses	(377)	(344)	(762)	(777)	(2,258)
Acquisition expenses	-	-	(11)	-	(683)
	<u>(5,742)</u>	<u>(4,184)</u>	<u>(11,339)</u>	<u>(8,669)</u>	<u>(18,454)</u>
Income (loss) from operations	1,070	105	2,276	(21)	475
Interest income (expense) and other, net	<u>(536)</u>	<u>(91)</u>	<u>(1,062)</u>	<u>(386)</u>	<u>(1,189)</u>
Income (loss) before income taxes	534	14	1,214	(407)	(714)
Income tax provision	<u>(68)</u>	<u>-</u>	<u>(141)</u>	<u>-</u>	<u>-</u>
Net income (loss)	<u>\$ 466</u>	<u>\$ 14</u>	<u>\$ 1,073</u>	<u>\$ (407)</u>	<u>\$ (714)</u>
Dividends on preferred stock	<u>\$ (57)</u>	<u>\$ -</u>	<u>\$ (121)</u>	<u>\$ -</u>	<u>\$ -</u>
Income available (loss attributable) to common stockholders	<u>\$ 409</u>	<u>\$ 14</u>	<u>\$ 952</u>	<u>\$ (407)</u>	<u>\$ (714)</u>
<i>Basic net income (loss) per share, and net income (loss) per share - assuming dilution:</i>					
Basic net income (loss) per share	<u>\$ 0.03</u>	<u>\$ 0.00</u>	<u>\$ 0.06</u>	<u>\$ (0.05)</u>	<u>\$ (0.09)</u>
Net income (loss) per share - assuming dilution	<u>\$ 0.03</u>	<u>\$ 0.00</u>	<u>\$ 0.06</u>	<u>\$ (0.05)</u>	<u>\$ (0.09)</u>
Weighted average shares outstanding - basic	<u>15,660,371</u>	<u>7,535,723</u>	<u>15,639,476</u>	<u>7,529,758</u>	<u>8,250,906</u>
Weighted average shares outstanding - assuming dilution	<u>15,676,462</u>	<u>7,536,057</u>	<u>15,653,902</u>	<u>7,529,758</u>	<u>8,250,906</u>

\* Derived from Audited Consolidated Financial Statements

Please see our forward looking statements at [www.firstaviation.com/forward](http://www.firstaviation.com/forward)



**First Aviation Services Inc.**

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

	<u>June 30, 2010</u>	<u>Dec 31, 2009</u> (Audited)	<u>June 30, 2009</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 498	\$ 1,033	\$ 1,708
Trade receivables, net	21,073	17,878	15,864
Inventories, net	38,469	37,604	28,735
Prepaid expenses and other	<u>2,243</u>	<u>3,292</u>	<u>1,383</u>
Total current assets	62,283	59,807	47,690
Plant and equipment, net	2,428	2,663	2,806
Goodwill	<u>11,488</u>	<u>11,488</u>	<u>-</u>
Total assets	<u>\$ 76,199</u>	<u>\$ 73,958</u>	<u>\$ 50,496</u>
<b>Liabilities and stockholders' equity</b>			
Current liabilities:			
Accounts payable	\$ 17,036	\$ 17,091	\$ 15,685
Accrued compensation and related expenses	698	407	308
Other accrued liabilities	2,609	3,378	1,204
Revolving line of credit	22,757	21,326	17,765
Term loan payable	7,000	7,000	-
Notes payable	<u>307</u>	<u>432</u>	<u>711</u>
Total current liabilities	50,407	49,634	35,673
Subordinated debt:			
Related party - JEM III LLC	-	-	2,000
Long-term liabilities	<u>957</u>	<u>649</u>	<u>67</u>
Total liabilities	51,364	50,283	37,740
Stockholders' equity			
Class A Common stock, \$0.01 par value, 10,000,000 shares authorized (increased to 20,000,000 shares authorized in December 2009), 11,320,628, 11,320,628 and 9,135,699 shares issued, respectively, 9,893,704, 9,838,234 and 7,546,239 shares outstanding, respectively	91	91	91
Class B Common stock, \$0.01 par value, 6,000,000 shares authorized 5,766,667, 5,766,667, and -0- shares issued, respectively, 5,766,667, 5,766,667 and -0- shares outstanding, respectively	58	58	-
Preferred stock, \$0.01 par value, \$100 redemption value, 30,000 shares authorized, 14,708, 13,500 and -0- shares issued, respectively, 14,708, 13,500 and -0- shares outstanding, respectively	1,471	1,350	-
Additional paid-in capital	46,488	46,754	38,727
Deficit	(16,294)	(17,296)	(17,419)
Accumulated other comprehensive income	<u>367</u>	<u>390</u>	<u>10</u>
	32,181	31,347	21,409
Less: treasury stock, at cost, 1,426,924, 1,482,394 and 1,589,460 shares, respectively	<u>(7,346)</u>	<u>(7,672)</u>	<u>(8,653)</u>
Total stockholders' equity	<u>24,835</u>	<u>23,675</u>	<u>12,756</u>
Total liabilities and stockholders' equity	<u>\$ 76,199</u>	<u>\$ 73,958</u>	<u>\$ 50,496</u>

Please see our forward looking statements at [www.firstaviation.com/forward](http://www.firstaviation.com/forward)



**First Aviation Services Inc.**

Consolidated Statements of Cash Flows

(Unaudited)  
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,		12 Months Ended
	2010	2009	2010	2009	December 31, 2009*
<b>Cash flows from operating activities</b>					
Net income (loss)	\$ 466	\$ 14	\$ 1,073	\$ (407)	\$ (714)
Adjustments to reconcile net income (loss) to net cash used in (provided by) operating activities					
Depreciation and amortization	159	318	432	592	1,038
Provision for bad debts	117	55	117	55	-
Equity based compensation	90	-	96	139	245
Change in working capital assets/liabilities:					
Trade receivables	(973)	(255)	(2,465)	(1,450)	(3,676)
Inventories	(914)	(407)	(865)	(255)	(4,561)
Prepaid expenses and other	(354)	(253)	202	(163)	(1,199)
Accounts payable	(356)	1,813	(55)	4,145	5,647
Accrued compensation and related expenses, and other accrued liabilities	709	289	(478)	(185)	1,202
Net cash (used in) provided by operating activities	(1,056)	1,574	(1,943)	2,471	(2,018)
<b>Cash flows from investing activities</b>					
Purchases of plant and equipment and other assets	(129)	(44)	(197)	(111)	(137)
Net cash used in investing activities	(129)	(44)	(197)	(111)	(137)
<b>Cash flows from financing activities</b>					
Borrowings (repayments) on revolving line of credit, net	612	(1,505)	1,431	(2,342)	1,307
Repayments on notes payable and other	(26)	(43)	183	(119)	(191)
Net cash provided by (used in) financing activities	586	(1,548)	1,614	(2,461)	1,116
Effect of exchange rate changes on cash and cash equivalents	62	(285)	(9)	(327)	(64)
Net change in cash and cash equivalents	(537)	(303)	(535)	(428)	(1,103)
Cash and cash equivalents at the beginning of the period	1,035	2,011	1,033	2,136	2,136
Cash and cash equivalents at the end of the period	\$ 498	\$ 1,708	\$ 498	\$ 1,708	\$ 1,033

\* Derived from Audited Consolidated Financial Statements

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*First Aviation Services Inc., (“FAvS”) located in Westport, Connecticut, through its principal operating subsidiaries Aerospace Products International, Inc., (“API”), based in Memphis, TN, Aerospace Turbine Rotables, Inc. (“AeTR”) in Wichita, KS and Piedmont Propulsion Systems, LLC (“PPS”) in Winston-Salem, NC 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, FAvS is a leading provider of aviation products, supply chain management services, repair and overhaul and technology solutions in the industry.*

*More information about FAvS and its subsidiaries may be found on the company’s website, [www.firstaviation.com](http://www.firstaviation.com). Please see our forward looking statements at [www.firstaviation.com/forward](http://www.firstaviation.com/forward).*

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