

## **Profitable First Quarter 2011 Reported by First Aviation**

WESTPORT, CT, May 12, 2011 – First Aviation Services Inc. (FAVS.PK) today released reviewed financial statements for the first quarter ended March 31, 2011. Net income of \$188 thousand was achieved on sales of \$29 million. Aaron Hollander, Chairman and CEO, said: “The first quarter performance was close to our budgeted expectations and represents a significant improvement over the fourth quarter of the prior year. Maintenance, repair and overhaul activities as well as supply chain programs outperformed the distribution segments in the quarter. We continue to make improvements in margins and cost containment that are expected to be reflected in profitability as the year progresses.”

(continued on next page)



**FIRST AVIATION SERVICES INC.**  
**Consolidated Statements of Operations**

(In thousands, except share and per share amounts)

	<b>3 mos. Ended March 31,</b>	<b>2010</b>	<b>12 mos. Ended</b>
	<b>2011</b>	<b>2010</b>	<b>December 31,</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>Note</i>
Net Sales	\$ 29,270	\$ 30,795	\$ 128,463
Cost of Sales	<u>(22,940)</u>	<u>(23,992)</u>	<u>(103,392)</u>
Gross Profit	6,330	6,803	25,071
Selling, general & administrative expenses	5,309	5,201	22,419
Corporate expenses	403	385	1,577
Acquisition expenses	<u>-</u>	<u>11</u>	<u>-</u>
	5,712	5,597	23,996
Income from operations	618	1,206	1,075
Non-operating income (expense)			
Interest income and other, net	(1)	1	2
Interest expense	<u>(370)</u>	<u>(527)</u>	<u>(2,252)</u>
Income (loss) before income taxes	247	680	(1,175)
Income tax provision	<u>(59)</u>	<u>(73)</u>	<u>(16)</u>
Net income (loss)	188	607	(1,191)
Dividends on preferred stock	<u>(59)</u>	<u>(64)</u>	<u>(219)</u>
Income available (loss attributable) to common stockholders	<u>\$ 129</u>	<u>\$ 543</u>	<u>\$ (1,410)</u>
Basic net income (loss) per share	<u>\$ 0.01</u>	<u>\$ 0.04</u>	<u>\$ (0.09)</u>
Net income (loss) per share - assuming dilution	<u>\$ 0.01</u>	<u>\$ 0.04</u>	<u>\$ (0.09)</u>
Weighted average shares outstanding - basic	<u>15,750,038</u>	<u>15,618,348</u>	<u>15,674,202</u>
Weighted average shares outstanding - assuming dilution	<u>15,770,798</u>	<u>15,626,583</u>	<u>15,674,202</u>

Note: Derived from Audited Consolidated Financial Statements



**FIRST AVIATION SERVICES INC.**

**Consolidated Balance Sheets**

(In thousands, except share amounts)

	<b>March 31,</b>	<b>December 31,</b>	<b>Restated</b>
	<b>2011</b>	<b>2010</b>	<b>March 31,</b>
	<i>(Unaudited)</i>	<i>Note</i>	<i>2010</i>
			<i>(Unaudited)</i>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,026	\$ 1,302	\$ 1,035
Trade receivables, net	21,647	20,051	20,217
Inventories, net	33,804	34,778	37,068
Prepaid expenses and other	2,360	2,417	1,517
Total current assets	<u>58,837</u>	<u>58,548</u>	<u>59,837</u>
Plant and equipment, net	2,323	2,467	2,458
Deferred financing costs and other	548	538	372
Goodwill	<u>7,773</u>	<u>7,773</u>	<u>7,773</u>
<b>Total Assets</b>	<b>\$ 69,481</b>	<b>\$ 69,326</b>	<b>\$ 70,440</b>
<b>Liabilities and Stockholders' Equity</b>			
Current liabilities:			
Accounts payable	\$ 18,832	\$ 18,777	\$ 16,331
Accrued compensation & related expenses	678	555	530
Other accrued liabilities	3,293	3,387	4,323
Revolving line of credit	22,362	22,257	22,145
Term loan payable	6,100	6,400	7,000
Notes payable	<u>14</u>	<u>28</u>	<u>164</u>
Total current liabilities	51,279	51,404	50,493
Long term liabilities	<u>1,667</u>	<u>1,717</u>	<u>2,187</u>
<b>Total Liabilities</b>	<b>52,946</b>	<b>53,121</b>	<b>52,680</b>
<b>Stockholders' Equity</b>			
Common Stock			
Class A Common Stock	91	91	91
<small>           \$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 11,320,628 shares issued, respectively, 9,983,669, 9,956,858 and 9,864,250 shares outstanding, respectively         </small>			
Class B Common Stock	58	58	58
<small>           \$0.01 par value, 6,000,000 shares authorized, 5,766,667, 5,766,667, and 5,766,667 shares issued, respectively, 5,766,667, 5,766,667 and 5,766,667 shares outstanding, respectively         </small>			
Preferred Stock	1,643	1,584	1,414
<small>           \$0.01 par value, \$100 redemption value, 30,000 shares authorized, 16,427, 15,841 and 13,500 shares issued, respectively, 16,427, 15,841 and 13,500 shares outstanding, respectively         </small>			
Additional paid in capital	39,534	39,669	40,118
Deficit	(18,592)	(18,721)	(16,721)
Accumulated other comprehensive income	<u>620</u>	<u>500</u>	<u>319</u>
	23,354	23,181	25,279
Less: Treasury Stock, at cost, 1,336,959, 1,363,770 and 1,438,582 shares respectively	<u>(6,819)</u>	<u>(6,976)</u>	<u>(7,519)</u>
<b>Total Stockholders' Equity</b>	<b>16,535</b>	<b>16,205</b>	<b>17,760</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>\$ 69,481</b>	<b>\$ 69,326</b>	<b>\$ 70,440</b>

Note: Derived from Audited Consolidated Financial Statements



**FIRST AVIATION SERVICES INC.**  
**Consolidated Statements of Cash Flows**  
(In thousands)

	<b>3 mos. Ended March 31,</b>	<b>2010</b>	<b>12 mos. Ended</b>
	<b>2011</b>	<b>2010</b>	<b>December 31,</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>Note</i>
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ 188	\$ 607	\$ (1,191)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	318	273	1,146
Equity based compensation	22	38	132
Provision for bad debts	62	-	328
Provision for excess & obsolete inventories	34	-	270
(Increase) decrease in working capital assets:			
Trade Receivables	(1,768)	(1,492)	(1,930)
Inventories	940	49	2,109
Prepaid expenses and other assets	57	544	(7)
Increase (decrease) in working capital liabilities:			
Accounts payable	310	479	2,787
Accrued compensation and related expenses, and other accrued liabilities	29	(1,187)	(2,162)
<b>Net cash provided by (used in) operating activities</b>	<b>192</b>	<b>(689)</b>	<b>1,482</b>
<b>Cash flows from investing activities:</b>			
Purchases of plant and equipment and other assets	(101)	(56)	(791)
<b>Net cash used in investing activities</b>	<b>(101)</b>	<b>(56)</b>	<b>(791)</b>
<b>Cash flows from financing activities:</b>			
Borrowings (repayments), on revolving line of credit, net	22	819	931
Loan costs	-	-	(347)
Borrowings (repayments) on term loan	(300)	-	(600)
Borrowings (repayments) on notes payable and other	(64)	(14)	(397)
<b>Net cash (used in) provided by financing activities</b>	<b>(342)</b>	<b>805</b>	<b>(413)</b>
Effect of exchange rate changes on cash and cash equivalents	(25)	(58)	(9)
Net change in cash and cash equivalents	(276)	2	269
Cash and cash equivalents at beginning of the period	1,302	1,033	1,033
Cash and cash equivalents at end of the period	<u>\$ 1,026</u>	<u>\$ 1,035</u>	<u>\$ 1,302</u>
<b>Supplemental cash flow disclosures:</b>			
Cash paid for:			
Interest	\$ 292	\$ 495	\$ 1,828
Income taxes paid, net	\$ 10	\$ -	\$ 28

Note: Derived from Audited Consolidated Financial Statements



*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 to 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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