

Profitable Second Quarter Reported by First Aviation

WESTPORT, CT, August 8, 2011 – First Aviation Services Inc. (OTC PINK: FAVS) today released reviewed financial statements for the second quarter ended June 30, 2011. Profit for the quarter was \$531 thousand or \$.03 per share on sales of \$28.5 million while year to date net income of \$719 thousand was achieved on sales of \$57.7 million or \$.04 per share.

Aaron Hollander, Chairman and CEO, said: “We have made substantial progress in the quarter. Strategically we have been very successful in integrating the marketing efforts of First Aviation’s three principal subsidiaries to provide unique, value added offerings which increase the company’s profitability and competitive position. Our balance sheet also improved significantly during the quarter with \$5 million of cash at June end while simultaneously bank debt has been reduced by \$3.4 million. We are concentrating on further improvements in working capital as well as operating margins going forward. While many of the segments we serve have been hit hard by the current economic environment, the diversity of our geographic reach and service offerings have helped us be well positioned to take advantage of industry trends.”

(continued on next page)



First Aviation Services Inc.

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

	Three Mos Ended June 30,		Six Mos Ended June 30,		12 Mos Ended
	2011	2010	2011	2010	Dec 31,
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	2010*
Net sales	\$ 28,479	\$ 32,390	\$ 57,749	\$ 63,185	\$ 128,463
Cost of sales	(22,365)	(25,578)	(45,305)	(49,570)	(103,392)
Gross profit	6,114	6,812	12,444	13,615	25,071
Selling, general and administrative expenses	5,379	5,365	10,688	10,566	22,419
Corporate expenses	379	377	782	773	1,577
	5,758	5,742	11,470	11,339	23,996
Income from operations	356	1,070	974	2,276	1,075
Non-operating income (expense)					
Interest income and other, net	(17)	(4)	(18)	(2)	2
Interest expense	(358)	(532)	(728)	(1,060)	(2,252)
Other income	700	-	700	-	-
Income (loss) before income taxes	681	534	928	1,214	(1,175)
Income tax provision	(150)	(68)	(209)	(141)	(16)
Net income (loss)	531	466	719	1,073	(1,191)
Dividends on preferred stock	(61)	(57)	(120)	(121)	(219)
Income available (loss attributable) to common stockholders	\$ 470	\$ 409	\$ 599	\$ 952	\$ (1,410)
<i>Basic net income (loss) per share, and net income (loss) per share - assuming dilution:</i>					
Basic net income (loss) per share	\$ 0.03	\$ 0.03	\$ 0.04	\$ 0.06	\$ (0.09)
Net income (loss) per share - assuming dilution	\$ 0.03	\$ 0.03	\$ 0.04	\$ 0.06	\$ (0.09)
Weighted average shares outstanding - basic	15,818,910	15,660,371	15,784,664	15,639,476	15,674,202
Weighted average shares outstanding - assuming dilution	15,833,430	15,676,462	15,802,605	15,653,902	15,674,202

* Derived from Audited Consolidated Financial Statements

Please see our forward looking statements at www.firstaviation.com/forward



First Aviation Services Inc.

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

	June 30, 2011	Dec 31, 2010*	Restated June 30, 2010
	<i>(Unaudited)</i>		<i>(Unaudited)</i>
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,044	\$ 1,302	\$ 498
Trade receivables, net	20,305	20,051	21,073
Inventories, net	33,024	34,778	37,982
Prepaid expenses and other	2,648	2,417	1,903
Total current assets	<u>61,021</u>	<u>58,548</u>	<u>61,456</u>
Plant and equipment, net	2,126	2,467	2,428
Deferred financing costs and other	503	538	340
Goodwill	<u>7,773</u>	<u>7,773</u>	<u>7,773</u>
Total assets	<u>\$ 71,423</u>	<u>\$ 69,326</u>	<u>\$ 71,997</u>
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	\$ 20,534	\$ 18,777	\$ 16,032
Accrued compensation and related expenses	515	555	698
Other accrued liabilities	3,300	3,387	4,928
Revolving line of credit	19,449	22,257	22,857
Term loan and Notes payable	<u>-</u>	<u>6,428</u>	<u>6,954</u>
Total current liabilities	43,798	51,404	51,469
Long-term liabilities:			
Other liabilities	1,762	1,717	2,214
Term loan payable	<u>5,800</u>	<u>-</u>	<u>-</u>
Total liabilities	51,360	53,121	53,683
Stockholders' equity			
Class A Common stock, \$0.01 par value, 20,000,000 shares authorized, 14,642,887, 11,320,628 and 11,320,628 shares issued, respectively, 13,339,087, 9,956,858 and 9,893,704 shares outstanding, respectively	124	91	91
Class B Common stock, \$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	58	58	58
Preferred stock, \$0.01 par value, \$100 redemption value, 30,000 shares authorized, 17,041, 15,841 and 14,708 shares issued, respectively, 17,041, 15,841 and 14,708 shares outstanding, respectively	1,704	1,584	1,471
Additional paid-in capital	42,329	39,669	39,967
Deficit	(18,122)	(18,721)	(16,294)
Accumulated other comprehensive income	<u>594</u>	<u>500</u>	<u>367</u>
	26,687	23,181	25,660
Less: treasury stock, at cost, 1,303,800, 1,363,770 and 1,426,924 shares, respectively	<u>(6,624)</u>	<u>(6,976)</u>	<u>(7,346)</u>
Total stockholders' equity	<u>20,063</u>	<u>16,205</u>	<u>18,314</u>
Total liabilities and stockholders' equity	<u>\$ 71,423</u>	<u>\$ 69,326</u>	<u>\$ 71,997</u>

* Derived from Audited Consolidated Financial Statements

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First Aviation Services Inc.

Consolidated Condensed Statements of Cash Flows
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,		12 Months Ended
	2011	2010	2011	2010	December 31,
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	2010*
Cash flows from operating activities					
Net income (loss)	\$ 531	\$ 466	\$ 719	\$ 1,073	\$ (1,191)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	533	501	851	898	1,146
Equity based compensation	23	90	45	96	132
Provision for bad debts	74	117	136	117	328
Provision for excess and obsolete inventory	-	-	-	-	270
Change in working capital assets/liabilities:					
Trade receivables	1,378	(973)	(390)	(2,465)	(1,930)
Inventories	780	(914)	1,754	(865)	2,109
Prepaid expenses and other	(526)	(526)	(469)	(94)	(7)
Accounts payable	1,641	(208)	1,951	(210)	2,787
Accrued compensation and related expenses, and other accrued liabilities	(156)	709	(127)	(478)	(2,162)
Net cash provided by (used in) operating activities	4,278	(738)	4,470	(1,928)	1,482
Cash flows from investing activities					
Purchases of plant and equipment and other assets	(50)	(129)	(151)	(197)	(791)
Net cash used in investing activities	(50)	(129)	(151)	(197)	(791)
Cash flows from financing activities					
Net change in revolving line of credit	(2,830)	712	(2,808)	1,531	931
Loan costs	(93)	(170)	(93)	(170)	(347)
Repayments on term loan	(300)	(100)	(600)	(100)	(600)
Repayments on notes payable and other additions	82	(174)	18	338	(397)
Issuance of Class A Common Stock	3,000	-	3,000	-	-
Net cash (used in) provided by financing activities	(141)	268	(483)	1,599	(413)
Effect of exchange rate changes on cash and cash equivalents	(69)	62	(94)	(9)	(9)
Net change in cash and cash equivalents	4,018	(537)	3,742	(535)	269
Cash and cash equivalents at the beginning of the period	1,026	1,035	1,302	1,033	1,033
Cash and cash equivalents at the end of the period	\$ 5,044	\$ 498	\$ 5,044	\$ 498	\$ 1,302
Supplemental cash flow disclosures					
Cash paid for:					
Interest	\$ 290	\$ 484	\$ 582	\$ 979	\$ 1,828
Income taxes paid, net	\$ 50	\$ -	\$ 60	\$ -	\$ 28

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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 to the industry.

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

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