

## **Third Quarter Sales Increase of 24% Reported by First Aviation**

WESTPORT, CT, November 17, 2010 – First Aviation Services Inc. (FAVS.PK) announced that revenue for the quarter ended September 30, 2010 increased 24.2% to \$33.6 million vs. \$27.0 million in the prior year period. For the nine month period ended September 30 sales at \$96.8 million were 22.2% higher than the similar prior year period. Operating subsidiary Aerospace Products International Inc. on a stand alone basis increased sales 4.3% for the comparable period.

For the quarter there was a small net loss of \$369,000 due to several factors including margin pressure on distribution. However, for the nine months ended September 30, 2010 Company net income continues to perform favorably against the prior year realizing net income of \$704,000 versus a loss of \$225,000 in the prior year period.

Gross margin for the quarter and for the nine months ended September 30 was 18.4% and 20.5% respectively, which compares favorably to the prior year 17.8% and 17.0% respectively.

At September 30, trade receivables were up \$2.5 million compared to the balance at December 31, 2009. This is largely due to receivables related to certain programs that by nature have an extended collection cycle. The Company continues to show positive movement in its inventory reduction initiatives.

Aaron P. Hollander, Chairman and C.E.O. stated “We are pleased with the sales growth in the quarter. We are focusing on increasing margins in the distribution business, growing our maintenance, repair and overhaul capabilities and expanding our supply chain programs. During the quarter we began the implementation of our participation in the Army C-12 program which became operational in the fourth quarter. This program along with the recently closed new financing facility with Wells Fargo Capital Finance should positively impact profitability.”

**First Aviation Services Inc.**

Consolidated Condensed Statements of Operations

(in thousands, except share and per share amounts)

	Three Mos Ended Sept 30,		Nine Mos Ended Sept 30,		12 Mos Ended
	2010	2009	2010	2009	Dec 31,
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	2009 (Unaudited)
Net sales	\$ 33,584	\$ 27,039	\$ 96,769	\$ 79,190	\$ 108,933
Cost of sales	<u>(27,395)</u>	<u>(22,218)</u>	<u>(76,965)</u>	<u>(65,721)</u>	<u>(90,004)</u>
Gross profit	6,189	4,821	19,804	13,469	18,929
Selling, general and administrative expenses	(5,607)	(3,906)	(16,173)	(11,798)	(15,513)
Corporate expenses	(356)	(368)	(1,118)	(1,145)	(2,258)
Acquisition expenses	-	-	(11)	-	(683)
	<u>(5,963)</u>	<u>(4,274)</u>	<u>(17,302)</u>	<u>(12,943)</u>	<u>(18,454)</u>
Income from operations	226	547	2,502	526	475
Interest income (expense) and other, net	<u>(543)</u>	<u>(365)</u>	<u>(1,605)</u>	<u>(751)</u>	<u>(1,189)</u>
Income (loss) before income taxes	(317)	182	897	(225)	(714)
Income tax provision	<u>(52)</u>	<u>-</u>	<u>(193)</u>	<u>-</u>	<u>-</u>
Net income (loss)	(369)	182	704	(225)	(714)
Dividends on preferred stock	<u>(55)</u>	<u>-</u>	<u>(176)</u>	<u>-</u>	<u>-</u>
Income available (loss attributable) to common stockholders	<u>\$ (424)</u>	<u>\$ 182</u>	<u>\$ 528</u>	<u>\$ (225)</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>\$ 0.02</u>	<u>\$ 0.03</u>	<u>\$ (0.03)</u>	<u>\$ (0.09)</u>
Net income (loss) per share - assuming dilution	<u>\$ (0.03)</u>	<u>\$ 0.02</u>	<u>\$ 0.03</u>	<u>\$ (0.03)</u>	<u>\$ (0.09)</u>
Weighted average shares outstanding - basic	<u>15,693,193</u>	<u>7,595,083</u>	<u>15,657,578</u>	<u>7,551,772</u>	<u>8,250,906</u>
Weighted average shares outstanding - assuming dilution	<u>15,693,193</u>	<u>7,597,939</u>	<u>15,678,682</u>	<u>7,551,772</u>	<u>8,250,906</u>

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

**First Aviation Services Inc.**

Consolidated Condensed Balance Sheets

(in thousands, except share amounts)

	<u>Sept 30, 2010</u> (Unaudited)	<u>Dec 31, 2009*</u>	<u>Sept 30, 2009</u> (Unaudited)
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,126	\$ 1,033	\$ 1,371
Trade receivables, net	20,387	17,878	13,793
Inventories, net	36,981	37,604	31,841
Prepaid expenses and other	<u>3,440</u>	<u>3,292</u>	<u>1,369</u>
Total current assets	61,934	59,807	48,374
Plant and equipment, net	2,626	2,663	2,485
Goodwill	<u>11,488</u>	<u>11,488</u>	<u>-</u>
Total assets	<u>\$ 76,048</u>	<u>\$ 73,958</u>	<u>\$ 50,859</u>
<b>Liabilities and stockholders' equity</b>			
Current liabilities:			
Accounts payable	\$ 18,936	\$ 17,091	\$ 12,856
Accrued compensation and related expenses	479	407	217
Other accrued liabilities	1,983	3,378	1,188
Revolving line of credit	22,479	21,326	19,658
Term loan payable	6,600	7,000	-
Notes payable	<u>295</u>	<u>432</u>	<u>1,359</u>
Total current liabilities	50,772	49,634	35,278
Subordinated debt:			
Related party - JEM III LLC	-	-	2,000
Long-term liabilities	<u>805</u>	<u>649</u>	<u>67</u>
Total liabilities	51,577	50,283	37,345
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, 9,926,822, 9,838,234 and 7,633,991 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, 15,264, 13,500 and -0- shares issued, respectively, 15,264, 13,500 and -0- shares outstanding, respectively	1,526	1,350	-
Additional paid-in capital	46,329	46,754	37,814
Deficit	(16,749)	(17,296)	(16,898)
Accumulated other comprehensive income	<u>368</u>	<u>390</u>	<u>312</u>
	31,623	31,347	21,319
Less: treasury stock, at cost, 1,393,806, 1,482,394 and 1,589,460 shares, respectively	<u>(7,152)</u>	<u>(7,672)</u>	<u>(7,805)</u>
Total stockholders' equity	<u>24,471</u>	<u>23,675</u>	<u>13,514</u>
Total liabilities and stockholders' equity	<u>\$ 76,048</u>	<u>\$ 73,958</u>	<u>\$ 50,859</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 Statements of Cash Flows

(in thousands)

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,		12 Mos Ended
	2010	2009	2010	2009	Dec 31,
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	2009
					(Unaudited)
<b>Cash flows from operating activities</b>					
Net income (loss)	\$ (369)	\$ 182	\$ 704	\$ (225)	\$ (714)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	269	316	701	908	1,038
Provision for bad debts	67	-	184	55	-
Equity based compensation	5	74	101	213	245
Change in working capital assets/liabilities:					
Trade receivables	(556)	749	(3,021)	(701)	(3,676)
Inventories	1,488	(2,257)	623	(2,512)	(4,561)
Prepaid expenses and other	(22)	8	180	(155)	(1,199)
Accounts payable	1,900	(2,135)	1,845	2,010	5,647
Accrued compensation and related expenses, and other accrued liabilities	(845)	(278)	(1,323)	(471)	1,202
Net cash provided by (used in) operating activities	1,937	(3,341)	(6)	(878)	(2,018)
<b>Cash flows from investing activities</b>					
Purchases of plant and equipment and other assets	(467)	-	(664)	(103)	(137)
Net cash used in investing activities	(467)	-	(664)	(103)	(137)
<b>Cash flows from financing activities</b>					
Borrowings (repayments) on revolving line of credit, net	(678)	1,981	753	(361)	1,307
Repayments on notes payable and other	(164)	609	19	490	(191)
Net cash (used in) provided by financing activities	(842)	2,590	772	129	1,116
Effect of exchange rate changes on cash and cash equivalents	-	414	(9)	87	(64)
Net change in cash and cash equivalents	628	(337)	93	(765)	(1,103)
Cash and cash equivalents at the beginning of the period	498	1,708	1,033	2,136	2,136
Cash and cash equivalents at the end of the period	<u>\$ 1,126</u>	<u>\$ 1,371</u>	<u>\$ 1,126</u>	<u>\$ 1,371</u>	<u>\$ 1,033</u>

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

---

*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).*

# # #

Contact: James G. Howell II  
Chief Financial Officer  
First Aviation Services Inc.  
(901) 259-4502

First Aviation Services Inc.  
15 Riverside Avenue, Westport, CT 06880  
[www.firstaviation.com](http://www.firstaviation.com)

Note: The results of operations for the prior year to date do not include the operating results of Aerospace Turbine Rotables and Piedmont Propulsion Systems LLC. Both entities were acquired in December 2009.