

First Quarter 2012 Results Reported by First Aviation

WESTPORT, CT, May 16, 2012 – First Aviation Services Inc. (FAVS.PK) today released reviewed financial statements for the first quarter ended March 31, 2012. The Company reported EBITDA for the quarter of \$462 thousand versus \$863 thousand for the prior year quarter and a net loss of \$175 thousand on sales of \$24 million.

Gross margins increased substantially from 21.6% to 24.0% as we improved the mix of business. Maintenance, Repair and overhaul as well as supply chain management programs remain the most profitable part of the Company's business model.

Aaron Hollander, Chairman and CEO, said: "While the first quarter income performance fell short of our expectations we continued to generate significant cash in the quarter that substantially improved our balance sheet. The Company reduced bank debt and trade payables \$12.8 million year over year, and \$4.5 million for the quarter.

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.



FIRST AVIATION SERVICES INC.
Consolidated Condensed Statements of Operations

(In thousands, except share and per share amounts)

	Three Months Ended March 31, 2012	2011	12 mos. Ended December 31, 2011
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>Note</i>
Net sales	\$ 24,454	\$ 29,270	\$ 113,056
Cost of sales	<u>(18,593)</u>	<u>(22,940)</u>	<u>(88,635)</u>
Gross Profit	5,861	6,330	24,421
Selling, general & administrative expenses	5,245	5,309	21,248
Corporate expenses	<u>395</u>	<u>403</u>	<u>1,500</u>
	5,640	5,712	22,748
Income from operations	221	618	1,673
Non-operating income (expense)			
Interest income and other, net	10	(1)	-
Interest expense	(356)	(370)	(1,405)
Other income	<u>(11)</u>	<u>-</u>	<u>718</u>
Income (loss) before income taxes	(136)	247	986
Income tax provision	<u>(39)</u>	<u>(59)</u>	<u>(195)</u>
Net income (loss)	(175)	188	791
Dividends on preferred stock	<u>(69)</u>	<u>(59)</u>	<u>(251)</u>
Income available (loss attributable) to common stockholders	<u>\$ (244)</u>	<u>\$ 129</u>	<u>\$ 540</u>
Basic net income (loss) per share ⁽¹⁾	<u>\$ (0.25)</u>	<u>\$ 0.16</u>	<u>\$ 0.62</u>
Net income (loss) per share - assuming dilution ⁽¹⁾	<u>\$ (0.25)</u>	<u>\$ 0.16</u>	<u>\$ 0.62</u>
Weighted average shares outstanding - basic ⁽¹⁾	<u>962,453</u>	<u>787,502</u>	<u>874,644</u>
Weighted average shares outstanding - assuming dilution ⁽¹⁾	<u>962,453</u>	<u>788,540</u>	<u>875,349</u>

(1) Earnings per share and weighted average shares outstanding for all periods presented reflect the impact of First Aviation's 1-for-20 reverse share split, which was effective October 24, 2011

Note: Derived from Audited Consolidated Financial Statements



FIRST AVIATION SERVICES INC.
Consolidated Condensed Balance Sheets

(In thousands, except share amounts)

	March 31, 2012	December 31, 2011	March 31, 2011
	<i>(Unaudited)</i>	<i>Note</i>	<i>(Unaudited)</i>
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,007	\$ 1,112	\$ 1,026
Trade receivables, net	15,103	17,679	21,647
Inventories, net	29,552	31,411	33,804
Prepaid expenses and other	1,884	1,843	2,360
Total current assets	47,546	52,045	58,837
Plant and equipment, net	1,685	1,830	2,323
Deferred financing costs and other	412	477	548
Goodwill	7,773	7,773	7,773
Total Assets	\$ 57,416	\$ 62,125	\$ 69,481
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	\$ 12,019	\$ 16,178	\$ 18,832
Accrued compensation & related expenses	556	424	678
Other accrued liabilities	1,007	1,276	3,293
Revolving line of credit	16,680	16,985	22,362
Term loan payable	1,800	1,200	6,100
Notes payable	11	9	14
Total current liabilities	32,073	36,072	51,279
Long term liabilities:			
Other liabilities	1,430	1,431	1,667
Term loan payable	4,000	4,600	-
Total long term liabilities	5,430	6,031	1,667
Total Liabilities	37,503	42,103	52,946
Stockholders' Equity			
Common Stock			
Class A Common Stock	125	125	91
\$0.20 par value, 1,000,000 shares authorized, 733,648, 733,648 and 566,301 shares issued, respectively, 674,242, 671,994 and 499,183 shares outstanding, respectively			
Class B Common Stock	58	58	58
\$0.20 par value, 300,000 shares authorized, 288,333, 288,333 and 288,333 shares issued and outstanding, respectively			
Preferred Stock	1,904	1,835	1,643
\$0.01 par value, \$100 redemption value, 30,000 shares authorized, 19,039, 18,354 and 16,427 shares issued and outstanding, respectively			
Additional paid in capital	41,711	41,960	39,534
Deficit	(18,425)	(18,181)	(18,592)
Accumulated other comprehensive income	484	433	620
	25,857	26,230	23,354
Less: Treasury Stock, at cost, 59,406, 61,654 and 66,848 shares, respectively	(5,944)	(6,208)	(6,819)
Total Stockholders' Equity	19,913	20,022	16,535
Total Liabilities & Stockholders' Equity	\$ 57,416	\$ 62,125	\$ 69,481

Note: Derived from Audited Consolidated Financial Statements



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

	Three Months Ended March 31,		12 mos. Ended
	2012	2011	December 31,
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>Note</i>
Cash flows from operating activities:			
Net income (loss)	\$ (175)	\$ 188	\$ 791
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	336	318	1,160
Equity based compensation	15	22	93
Provision for bad debts	69	62	338
Provision for excess & obsolete inventories	(62)	34	236
(Increase) decrease in working capital assets:			
Trade Receivables	2,507	(1,768)	2,012
Inventories	2,069	940	3,109
Prepaid expenses and other assets	(71)	57	574
Increase (decrease) in working capital liabilities:			
Accounts payable	(4,258)	310	(2,621)
Accrued compensation and related expenses, and other accrued liabilities	(137)	29	(2,242)
Net cash provided by (used in) operating activities	293	192	3,450
Cash flows from investing activities:			
Purchases of plant and equipment and other assets	(95)	(101)	(345)
Net cash used in investing activities	(95)	(101)	(345)
Cash flows from financing activities:			
Borrowings (repayments), on revolving line of credit	(304)	22	(5,272)
Loan costs	-	-	(118)
Borrowings (repayments) on term loan	-	(300)	(600)
Borrowings (repayments) on notes payable and other	-	(64)	(305)
Issuance of Class A common stock	-	-	3,001
Net cash (used in) provided by financing activities	(304)	(342)	(3,294)
Effect of exchange rate changes on cash and cash equivalents	1	(25)	(1)
Net change in cash and cash equivalents	(105)	(276)	(190)
Cash and cash equivalents at beginning of the period	1,112	1,302	1,302
Cash and cash equivalents at end of the period	<u>\$ 1,007</u>	<u>\$ 1,026</u>	<u>\$ 1,112</u>
Supplemental cash flow disclosures:			
Cash paid for:			
Interest	<u>\$ 268</u>	<u>\$ 292</u>	<u>\$ 1,126</u>
Income taxes paid, net	<u>\$ 20</u>	<u>\$ 10</u>	<u>\$ 75</u>

Note: Derived from Audited Consolidated Financial Statements



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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